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SMALL BUSINESS SUBCONTRACTING PROGRAM
(Part 2)

HEARING

BEFORE THE

SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS

OF THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

SECOND SESSION

WASHINGTON, DC, APRIL 10, 1984

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SMALL BUSINESS SUBCONTRACTING PROGRAM
(Part 2)

TUESDAY, APRIL 10, 1984

House of Representatives, Subcommittee on SBA and SBIC Authority, Minority Enterprise and General Small Business Problems, Committee on Small Business,

Washington, DC.

The subcommittee met, pursuant to notice, at 9 a.m., in room 2359-A, Rayburn House Office Building, Hon. Parren J. Mitchell (chairman of the subcommittee) presiding.

OPENING STATEMENT OF CHAIRMAN MITCHELL

Mr. Mitchell. Good morning.

Today is the second in a series of hearings that this subcommittee will conduct to determine compliance with the subcontracting program for small and small disadvantaged businesses.

I regret that I was unable to be here for the first day of the hearing, and I want to thank my colleagues who took over for me: Congressman Wyden, Congressman Addabbo, my very good friend, and Congressman Hayes, who chaired another hearing for me yesterday.

On the first day of the hearing, the subcommittee heard testimony from the trade associations, the Defense Contract Administration Services Region, Los Angeles, CA; and field commanders from the Departments of Army, Navy, and Air Force.

Today, we will hear from the Office of the Secretary of Defense, the military service, and other Federal agencies who will present testimony to the subcommittee regarding their implementation of the subcontracting program.

I hope it will be testimony which will disabuse my mind of what may be a bias that I have with regard to the implementation of subcontracting, particularly with reference to small and small disadvantaged businesses.

Based on our report of the hearings from last year, it was concluded that it is apparent that the small, and small disadvantaged business goals are omitted from subcontracting plans much more frequently than small business goals.

Based on those hearings, no reasons were fully explained or given to the committee for those omissions.

I hope that 1 year later will find those mistakes corrected, and I can be in a much more optimistic and pleasant frame of mind.

Our first panel will consist of Mr. Herrera, the Deputy Administrator for the U.S. Small Business Administration; Mr. Henry Wilfong, the Associate Administrator for Minority Small Business and Capital Ownership Development with the Small Business Administration; and Mr. Richard Durkin, the Acting Associate Administrator for Procurement and Technical Assistance, with the Small Business Administration.

Did we invite Mr. Sanders?

Ms. ETHEREDGE. Yes.

Mr. MITCHELL. He was unable to testify.

Ms. ETHEREDGE. That is correct. I was informed that Mr. Sanders will be on travel in California, and will not attend today's hearing.

Mr. MITCHELL. I thank you very much, gentlemen, for being here. I think we have a copy of your testimony, and you might proceed, as you will, in whatever order you care to, since we have copies of your testimony. You might want to summarize your statement and the entire testimony will be submitted for the record.

I am sorry, Mr. Addabbo.

Do you have an opening statement?

Mr. ADDABBO. I have to chair the Defense Appropriations Committee at 10 o'clock, so I will probably be leaving here about 9:45.

I have several questions I would ask unanimous consent to submit for the record for complete answers.

Mr. MITCHELL. Without objection, those questions will be submitted for the record.

[The questions of Congressman Addabbo for the panelists follow:]

QUESTIONS FOR SMALL BUSINESS ADMINISTRATION

(1) How many subcontracting specialists are assigned to each region?

(2) How many prime contractors are assigned to each subcontracting specialist?

(3) I understand that only 2 subcontracting specialists cover the southern California area and that there are approximately 49 prime contractors in their portfolio, not to mention their other responsibilities.

How can you testify that the subcontracting program is effective, when a region heavily concentrated with prime contractors such as region IX, is greatly understaffed and therefore unable to properly implement the program?

QUESTIONS FOR PANEL 2

To be addressed to James Hall

I understand that at Fort Monmouth, RCA is requesting an incentive award for exceeding their subcontracting goal to small business, however, less than 5% of the goal to small disadvantaged firms has been met. Congress never intended this type of performance to be rewarded.

Do you personally believe that under these circumstances the payment of an incentive fee is warranted?

For all Panel 2 witnesses except DLA

How many consolidated contracts have you awarded over the past 2 years?

How many consolidated contracts have been awarded since the issuance of revised OMB Circular A-76?

With regard to each consolidated contract, please provide for the record:

(1) Dollar amount of each contract.

(2) Number and dollar amount of additive change orders issued to each contract.

(3) The contractor awarded the contract.

(4) The number of small and small disadvantaged businesses that performed the requirements prior to consolidation and, the dollar amount of those contracts.

(5) Subcontracting plan for each contract.

For the record please provide the subcontracting plans for all of your recruitment advertising contracts.

QUESTIONS FOR GSA

SBA has testified that the GSA policy change from multiple award to single award Federal Supply Schedule has affected small businesses' share of the Federal procurement dollars. The small business community has indicated to this Committee that this policy change has adversely affected their opportunity to compete as prime contractors. Some time ago, the Chairman asked the former GSA administrator, Mr. Carmen, to assess the impact that the single award schedule has had on the small business community. The response was unsatisfactory and did not adequately address the concerns raised by the Chairman. Therefore, I would like for your office to prepare a detailed impact study on the effect that the single award schedule has had on small businesses' opportunity to compete as prime contractors for these awards.

I would appreciate receiving this information by no later than April 30, 1984.

QUESTIONS FOR JAMES P. WADE

(1) Your statistics indicate that in FY 1983 DOD paid approximately $114 million for advertising services, of that amount only $1.8 million went to small business, $429,000 of that $1.8 million was awarded through the set-aside program.

How do you explain the lack of substantive small business participation in this industry?

Please provide for the record the subcontracting plans for the DOD recruitment advertising contracts.

(2) SBA has testified that the consolidation of a number of requirements into large umbrella contracts has affected small businesses share of the Federal procurement dollar. This committee has been alerted to a number of consolidations that have resulted in the displacement of small and small disadvantaged businesses as prime contractors. Based upon one investigation of a DOD procurement, GAO concluded that procurement activities rely too heavily upon subcontracting opportunities for small business as compensation for the loss of prime contract awards.

Has your office examined this procurement practice to determine how to redress the adverse impact this procurement practice has had on the small and minority business community as prime contractors?

Mr. MITCHELL. Also, several other members have indicated that they will be here to attend this hearing.

Thank you very much, Mr. Addabbo. You always bend over backward to try to make these hearings despite the fact that your Appropriations Committee is working 18 hours a day, and I am really most appreciative.

Gentlemen.

TESTIMONY OF HERIBERTO HERRERA, DEPUTY ADMINISTRATOR, U.S. SMALL BUSINESS ADMINISTRATION, ACCOMPANIED BY HENRY WILFONG, ASSOCIATE ADMINISTRATOR, MINORITY SMALL BUSINESS AND CAPITAL OWNERSHIP DEVELOPMENT; AND RICHARD DURKIN, ACTING ASSOCIATE ADMINISTRATOR FOR PROCUREMENT AND TECHNICAL ASSISTANCE, SBA

Mr. HERRERA. Mr. Chairman, my name is Heriberto Herrera. I am the Deputy Administrator of the U.S. Small Business Administration.

I would like to introduce the associates I have with me today: Henry Wilfong, Associate Administrator for Minority Small Business and Capital Ownership Development, and Richard Durkin, Acting Associate Administrator for Procurement and Technical Assistance.

Administrator Sanders asked me to extend his apology for the schedule conflict that precluded him from being here today.

He further asked that I testify before this subcommittee

Mr. MITCHELL. What was the nature of the conflict? Do you know?

Mr. HERRERA. He had another appointment to keep out of town.

Mr. MITCHELL. And do you know what it was about?

Mr. HERRERA. No, sir, I do not.

Mr. MITCHELL. OK.

Mr. HERRERA. He further asked that I testify before the subcommittee about the SBA subcontracting program in response to your invitation.

Gentlemen, we are concerned about the state of Federal procurement from small business today. Total Federal expenditures increased from $78.8 billion in fiscal year 1978 to $155.7 billion in fiscal year 1983, a 97.6-percent increase.

Available subcontracting data show subcontracting dollars increasing from $18.8 billion in fiscal year 1978 to $51.9 billion in fiscal year 1983.

Subcontracting dollars awarded to the small business, as reported, increased from $7.6 billion in fiscal year 1978 to $20.3 billion in fiscal year 1983.

Subcontracting dollars awarded to small disadvantaged businesses increased from $895.5 million in 1981 to a little over a billion dollars in fiscal year 1983.

We have included a table that depicts this information from fiscal year 1978.

There are many factors that affect small businesses' share of Federal procurement dollars: The transition of our economy from mechanical requiring many small machined parts to electronic; the increase in major systems acquisitions by the Government; the consolidation of service requirements into single, large dollar, multifunctioned contracts; the $85,000 cap placed on A&E small business set-asides by the 1984 DOD Appropriation Act; major difficulties associated with breakout of spare parts acquisitions for small business competitive procurement, and the GSA policy change from multiple award to single award Federal supply schedule contracts.

Subcontracting problems are more subtle. Because the Government's relationship with subcontractors is not as direct as its relationship with the prime contractor, the Government is less able to directly influence decisions.

Administrator Sanders is well aware of these many factors and their impact on small and small disadvantaged business. In an effort to counteract the effect of these factors, he has directed a thorough review of the agency's procurement assistance programs, including special emphasis on the subcontracting program.

Mr. Durkin has been asked by the Administrator to act as the Associate Administrator for Procurement and Technical Assistance, to work closely with Mr. Wilfong and other elements of the agency to take the lead in this effort.

The Administrator has directed a strengthening of the management ties and relationships between the Minority Small Business and the Procurement and Technical Assistance Programs. Further, the evaluation will assess how other SBA program areas can contribute and support the procurement assistance function.

We intend to create an improved and effective procurement program delivery system at the district and regional levels, working closely with State and local officials, contracting agencies, and the SBA Central Office.

There are significant studies already under way within the agency to reduce paperwork, increase efficiency and productivity and, most importantly, find additional ways for procurement center representatives and subcontract specialists to locate more contract opportunities for small and small disadvantaged business.

Our current efforts are to obtain greater cooperation and support from other SBA programs and other agencies for the subcontracting program. It is premature to go into detail at this time, since the Agency is in the middle of the review process described above.

However, we would be pleased to meet with you, Mr. Chairman, after the review has been completed to discuss our findings and the changes we intend to make.

Mr. Chairman, we were asked in our invitation letter to respond to six specific questions. The answers are provided as an attachment. Also attached is a summary of action taken by SBA in response to recommendations addressed to SBA in House Report 97-956.

Mr. Chairman, this concludes my prepared remarks.

Mr. Durkin, Mr. Wilfong, and I will be happy to answer any questions you may have at this time.

[Mr. Herrera's prepared statement with attachments follows:]

Prepared Statement of Heriberto Herrera, Deputy Administrator, U.S. Small Business Administration

Mr. Chairman and members of the Subcommittee: My name is Heriberto Herrera. I am the Deputy Administrator of the U.S. Small Business Administration. I would like to introduce the associates I have with me today, Mr. Henry Wilfong, Associate Administrator for Minority Small Business and Capital Ownership Development and Mr. Richard Durkin, Acting Associate Administrator for Procurement and Technical Assistance.

Administrator Sanders asked me to extend his apology for the schedule conflict that precluded him from being here today. He further asked that I testify before this Subcommittee about the SBA subcontracting program in response to your invitation. Gentlemen, we are concerned about the state of Federal procurement from small business today. Total Federal expenditures increased from $78.8 billion in Fiscal Year 1978 to $155.7 billion in Fiscal Year 1983, a 97.6 percent increase.

Available subcontracting data show subcontract dollars increasing from $18.8 billion in Fiscal Year 1978 to $51.9 billion in Fiscal Year 1983. Subcontracting dollars awarded to small business, as reported, increased from $7.6 billion in Fiscal Year 1978 to $20.3 billion in Fiscal Year 1983. Subcontracting dollars awarded to small disadvantaged businesses increased from $895.5 million in Fiscal Year 1981 to $1.001.1 billion in Fiscal Year 1983.

I have included a table depicting available data since Fiscal Year 1978.

SUBCONTRACTING
(DOLLARS IN THOUSANDS)

FY	Subcontract Dollars Reported	Dollars to Small Business	Percent to Small Business	Dollars to SDB	% of SB	% Total Sub $
78	18,800.00	$7,600.00	40.4			
79	24,600.00	10,800.00	43.9			
80	29,600.00	12,200.00	41.2	748.20	6.1	2.5
81	42,200.00	15,900.00	37.7	895.5	5.6	2.1
82	43,800.0	16,500.0	37.6	858.5	5.2	2.0
83	51,900.0	20,300.0	39.0	1,011.1	5.0	1.9

SUBCONTRACTING ASSISTANCE PROGRAM
(DOLLARS IN BILLIONS)

	1978	1979	1980	1981	1982	1983
TOTAL SUBCONTRACTS AWARDS	18.8	24.6	29.6	42.2	43.8	51.9
AWARDS TO SMALL BUSINESS	7.6	10.8	12.2	15.9	16.5	20.3
PERCENT TO SMALL BUSINESS	40.4	43.9	41.2	37.7	37.6	39.0

There are many factors that affect small businesses' share of Federal procurement dollars: - the transition of our economy from mechanical requiring many small machined parts to electronic; the increase in major systems acquisitions by the Government; the consolidation of service requirements into single, large dollar, multi-functioned contracts; the $85,000 cap placed on A & E small business set-asides by the 1984 DOD Appropriation Act (Public Law 98-212); major difficulties associated with breakout of spare parts acquisitions for small business competitive procurement; and the GSA policy change from multiple award to single award Federal Supply Schedule contracts. Subcontracting problems are more subtle. Because the Government's relationship with subcontractors is not as direct as its relationship with the prime contractor, the Government is less able to directly influence decisions.

Administrator Sanders is well aware of these many factors and their impact on small and small disadvantaged business. In an effort to counteract the effect of these factors, he has directed a thorough review of the Agency's procurement assistance program including special emphasis on the subcontracting program. Mr. Durkin has been asked by the Administrator to act as the Associate Administrator for Procurement and Technical Assistance, to work closely with Associate Administrator Wilfong and other elements of the Agency and take the lead in this effort. The Administrator has directed a strengthening of the management ties and relationships between the Minority Small Business and the Procurement and Technical Assistance Programs. Further, the evaluation will assess how other SBA program areas can contribute and support the procurement assistance function. We intend to create an improved and effective procurement program delivery system at the District and Regional levels, working closely with state and local officials, contracting agencies and the SBA Central Office. There are significant studies already underway within the Agency to reduce paperwork, increase efficiency and productivity and, most importantly, find additional ways for procurement center representatives and subcontract specialists to locate more contract opportunities for small and small disadvantaged business.

Our current efforts are to obtain greater cooperation and support from other SBA programs and other agencies for the Subcontracting Program. It is premature to go into detail at this time, since the Agency is in the middle of the review process described above. However, we would be pleased to meet with you, Mr. Chairman, after the review has been completed to discuss our findings and the changes we intend to make.

Mr. Chairman, we were asked in our invitation letter to respond to six specific questions. The answers are provided as an attachment. Also attached is a summary of action taken by SBA in response to recommendations addressed to SBA in House Report 97-956.

Mr. Chairman, this concludes my prepared remarks. Mr. Durkin, Mr. Wilfong and I will be happy to answer any questions you may have at this time.

Attachment 1

Question (1)

How many times are plans reviewed by Procurement Center Representatives (PCR) prior to inclusion into the contract? How often are upward adjustments to goals made as a result of such reviews?

Response:

There were 5,671 reviews performed by PCRs in Fiscal Year 1983. Generally, plans are reviewed once. However, an estimated 11 percent or 562 of the plans are reviewed more than once. Upward adjustments to goals as a result of PCR reviews occur about seven percent of the time, approximately 371 plans.

Question (2)

What action does SBA take when it finds a prime contractor in noncompliance with its plan? Over the last three fiscal years how many findings of non-compliance were made?

Response:

SBA's SOP 60 03 2 provides for the SBA subcontract specialist to send a notification letter to the administrative contracting officer and the contractor requiring corrective action. A copy of the notification letter is to be submitted to the SBA Central Office for consolidation and transmittal to agency OSDBUs on a monthly basis.

The following findings of non-compliance by SBA have been reported over the past three fiscal year.

	FY 1981	FY 1982	FY 1983
Number of compliance reviews	6,846	6,812	8,214
Findings of interim non-compliance	376	253	211
Findings of final non-compliance	119	83	35

Question (3)

Does SBA have any formal program to help qualify small firms as potential subcontractors upon the request of a large prime contractor? Should SBA use its 7(J) funds to pay large contractors to upgrade the skills of potential small business subcontractors?

Response:

The SBA's formal program for this type of assistance for those businesses that qualify as disadvantaged is the 7(J) program. However, the present program requires that the request for assistance be initiated by the small business concern. So far SBA has not received any requests.

Question (4)

Describe any outreach program the SBA may have to assist small and small disadvantaged businesses interested in subcontracting?

Response:

There are many specific ways the SBA outreaches to small and small disadvantaged businesses interested in subcontracting, such as:

- The private sector agreement program. This program is designed to seek out and enter into agreements with fortune 500 businesses to provide procurement opportunities and management and technical assistance to disadvantaged business persons.
- The Procurement Automated Source System (PASS)
- Individual counseling at SBA District and Regional offices.

- SBA participation in business development conferences, trade fairs, procurement conferences and association meetings which are pointed toward individual counseling.

    - Small Business Development Centers provide comprehensive management and technical assistance to the small business community. The Center serves as the focal point for linking together resources of the Federal, state, and local Governments with those resources of the university and the private sector. The Florida Small Business Development Centers operate a program called INFO BID which automatically matches contract and subcontracting opportunities with small firms.

    - An instructor's guide and a student guide on procurement training have been developed to help explain to small businesses how to do business with the Government. Video tapes will be made for SBA Regional and District office use to supplement the aforementioned guides.

- Use of the material described in response to recommendation c(3) in Attachment 2.

- Notification to appropriate PASS registrants of major contract requirements from the "Commerce Business Daily" and other sources containing potential subcontracting opportunities.

- State and local counseling and assistance programs sponsored in part or initiated by SBA, e.g., Detroit Down River Communities Project, Buffalo, Cleveland, Pennsylvania, and Illinois.

Question (5)

During the last five years how many contracts has SBA found to be awarded without subcontracting plans, and what actions were taken in response to these findings?

Response:

SBA has found the following contracts, meeting the appropriate threshold, that were awarded without subcontracting plans:

FY 1981 - 13
FY 1982 - 12
FY 1983 - 15

Data are not available prior to 1981.

SBA commenced in Fiscal Year 1981 reporting the above contracts in Table II of the Annual Report to Congress on subcontracting plans found acceptable by Federal agencies, wherein SBA determined that the plans did not contain MPO for small and small disadvantaged business concerns.

Question (6)

Provide statistics on the number of SBA field personnel assigned procurement functions on a full time basis. How many plan and program reviews were conducted in Fiscal Year 1983 and how many SBA employees conducted these reviews? How is the performance of these individuals measured with respect to such reviews?

Response:

SBA field personnel assigned procurement functions on a full time basis.

Region	Professional	Clerical	Total
I	11		11
II	13	4	17
III	21	3	24
IV	17	5	22
V	19	3	22
VI	17	3	20
VII	8	1	9
VIII	7	1	8
IX	19	3	22
X	6	1	7
	138	24	162

Question (6) (cont'd)

During Fiscal Year 1983, there were 464 subcontracting program compliance reviews conducted with 10 found to be in non-compliance. During Fiscal Year 1983, there were 8,214 subcontract plan compliance reviews conducted with 211 found to be in interim non-compliance and 35 found to be in final non-compliance. These reviews were conducted by 29 SBA subcontract specialists.

Subcontract specialists performance is evaluated for quantity, quality or content and timeliness. Quantity standards are set, based on historical data, as part of an Agency program goaling process. Subcontracting plan and program evaluation criteria are established by Agency SOP. The firms to be reviewed each fiscal year are projected by individual subcontract specialists and reported to the SBA Central Office where a portfolio is generated. The SBA SOP establishes review report requirements and the timeframe for reporting. The Agency goaling process requires not less than 20 percent of the required reviews to be performed each quarter. Performance is managed by the Assistant Regional Administrators for Procurement and Technical Assistance with oversight by the Central Office.

Attachment 2

II. THE SUBCONTRACTING PROGRAM

(Selective Comments)

A. The President

Recommendation 2:

Uniform guidelines which specify how frequently prime contractors should receive program audits.

Previously reported:

SBA's current SOP 60 03 1 calls for review of prime contractor programs at least annually, with frequency increasing as the number of contract plans increases. Subcontract specialists have the latitude to conduct reviews more frequently if their judgment so dictates.

Action Taken:

Revised SOP 60 03 2 retains the guidance as related above. No further action required.

Recommendation 3:

Uniform guidelines which provide that plans contained in very large prime contracts should be more likely to be reviewed than plans in smaller contracts which meet or barely exceed the minimum threshold contract amount of $500,000 or $1 million, if construction.

Previously reported:

SBA's current SOP 60 03 1 envisions that individual subcontract specialists will adapt their review schedule to the potential for small and small disadvantaged business. Requiring a reasonable amount of potential before requiring a compliance review places stress on small business opportunity rather than arbitrary thresholds of prime contract value.

Action taken:

Revised SOP 60 03 2 changes the guidance as related above. Individual subcontract specialists are directed to plan and schedule compliance reviews during the early phases of design and prior to pre-production phase of manufacturing contracts. Compliance reviews applicable to other kinds of contracts are to be planned and scheduled with a view towards influencing the contractor to exert maximum effort to provide subcontracting opportunities to small and small disadvantaged business concerns.

II. THE SUBCONTRACTING PROGRAM
(Selective Comments)
A. The President

In an effort to include reviews of smaller contracts or large contractors with first time requirements, SBA regions are required to establish at least one-third of their "portfolio" companies, who are monitored for compliance, those firms holding three or less applicable contracts and not reviewed and found in compliance by SBA within the past three years.

Recommendation 4:

Uniform procedures to insure that, to the maximum extent practicable, SBA conduct joint reviews with the cognizant contract administration agency.

Previously reported:

SBA's current SOP 60 03 1 requires that scheduling of reviews by SBA personnel be in cooperation with the small business program representative of the awarding agency or the Administrative Contracting Officer. SBA does not require joint visits because of past experience; budget constraints of administering agencies often minimized effective review, a situation which SBA can no longer accept since it now bears a direct review responsibility.

Current status:

Revised SOP 60 03 2 retains above related requirement. Reviews have continued in accordance with the above guidelines.

Recommendation 5:

Uniform instructions for the completion of all forms which may be needed to monitor prime contractor performance.

Previously reported:

Uniform instructions appear on the back of forms for submission by contractors. SBA has published uniform instruction for forms to be used in SBA compliance reviews.

Current status:

The prime contractors report form, Standard Form 295, has been improved for incorporation into the new Federal Acquisition Regulation (FAR). Additionally, SBA has developed substantive guidelines which we have requested be incorporated into the FAR.

II. THE SUBCONTRACTING PROGRAM
(Selective Comments)
B. All Federal Buying Agencies

Recommendation 1(c):

Report to this committee on a quarterly basis, the following information: The number of plans reviewed by SBA during the quarter; the number SBA found deficient and the number and dollar value of contracts awarded which contained plans which SBA noted as being deficient but which were not corrected to SBA's satisfaction.

Previously reported:

SBA can provide quarterly reports but suggests that quarterly figures are not sufficiently substantive and are confused by overlap of plans reviewed but not acted upon. It is suggested that an annual report would provide more meaningful data while minimizing reporting structures.

Current status:

The Fiscal Year 1983 report was submitted to the Chairman, Committee on Small Business, House of Representatives, and Chairman, Committee on Small Business, United States Senate, on March 12, 1984.

II. THE SUBCONTRACTING PROGRAM

C. Small Business Administration

Recommendation 1:

Assign a sufficient number of personnel to properly administer the subcontracting program at the Central Office level. At a minimum we recommend that at least 10 full-time professionals be assigned these functions.

Previously reported:

While SBA plans to add one person to the current staffing of the subcontracting program, the availability of 10 new positions would more appropriately be divided with field activities.

Current status:

The Subcontracting Program has been authorized one additional position.

Recommendation 2:

Establish programs on its own, and in cooperation with large prime contractors, to "qualify" small and small minority owned firms as potential subcontractors. We suggest that 7(j) funds be utilized to employ the services of engineers or other specialists to provide the highly technical services which are needed. We further recommend that 8(a) firms be afforded priority in this new program effort.

Previously Reported:

SBA currently provides for such services on an "as needed" basis through 7(j) Cooperative Agreements. The decision to render assistance is made on the local district office level based on the needs of qualified firms. Through our private sector initiatives, we are aiming to involve large prime contracts in the effort to increase the pool of minority subcontractors capable of performing highly technical subcontracts. In addition, Universities are used to provide technical assistance in specialized areas, as needed. For example, General Railroad of East St. Louis, Illinois experienced a question about their state-of-the-art welding capability by a Government procuring activity. SBA brought in ITTRI, the research arm of the Illinois Institute of Technology, to substantiate the minority capability with regard to the state-of-the-art.

Current Status:

We are continuing to use 7(j) Cooperative Agreement funds to employ the services of engineers or other specialists to provide highly technical services to small business concerns. During Fiscal year 1984 an estimated 4,220 task days were allocated nationwide for specialized services and assistance.

II. THE SUBCONTRACTING PROGRAM
C. Small Business Administration

Recommendation 3:

Establish a formal program for the dissemination of information on subcontracting opportunities to potential small subcontractors.

Previously reported:

SBA has contracted to provide a complete listing of contract awards with subcontracting plan requirements on a monthly basis. This listing ("Small Business Preferential Subcontract Opportunities Monthly"), identifying the prime contractor and the contract subject, is provided to each SBA District Office for counselling and outreach purposes. In addition, the SBA screens the *Commerce Business Daily* for subcontract opportunities and, on a weekly basis, notifies firms identified by the Procurement Automated Source System of these opportunities.

Current status:

In addition to the above, an annual report of Government contract awards is obtained from the Federal Procurement Data Center for distribution to SBA field organizations. This special report, along with advanced procurement plans, as available from procuring agencies, are used by SBA personnel to identify in advance requirements which are suitable for small business prime and subcontracting opportunities. Also, contracting agencies are required to furnish to SBA notice of award of prime contracts subject to the subcontracting requirements of P.L. 95-507.

Recommendation 4:

Devise a reporting system to capture the number of contracts awarded without plans but which, by law, should have plans.

Previously reported:

SBA will explore the possibility of such a system with the Federal Procurement Data Center.

Current status:

SBA is pursuing with the Federal Procurement Data Center the possibility and practicality of adding a report requirement that would be an affirmation that the required plan was obtained and included in the contract.

II. THE SUBCONTRACTING PROGRAM
C. Small Business Administration

Recommendation 5:

Include in its annual subcontracting report to the Congress the names of contracting officers who have awarded contracts containing plans which, in SBA's opinion, are deficient or who have awarded contracts, subject to section 211, which do not contain plans.

Previously reported:

Since these names are available from purchasing agencies upon identification of a contract, it would appear to be an unnecessary embarrassment to those contracting officers who must accept even deficient plans in formally advertised procurements. SBA has already instituted the practice of identifying in the annual report the contract number and the procuring activity/installation.

Current status:

The Fiscal Year 1983 report has been completed and submitted in accordance with the above related guidelines.

Recommendation 6:

Assume a far more aggressive role to forcefully implement the subcontracting program in a consistent and effective manner throughout Government and, if substantial progress is not made in this regard, consider replacing the present top management of the program.

Previously reported:

SBA believes that it has made every reasonable effort within its authority to achieve the maximum implementation of the subcontracting program, consistent with its resources.

Current status:

SBA is currently evaluating the success and direction of all procurement programs, including subcontracting. SBA subcontracting policy and implementing regulations will be revised as appropriate and resources realigned as necessary to implement aggressively and effectively any redirection of the subcontracting program.

II. THE SUBCONTRACTING PROGRAM
C. Small Business Administration

Recommendation 7:

Redirect the efforts of the Presidential Advisory Committee to achieve the purposes set forth in Section 7(j)(3) of the Small Business Act. It is further recommended that the Agency develop a plan in concert with the Advisory Committee to provide incentives and assistance to large business concerns to train and upgrade eligible small businesses so that these small firms may receive private and public sector subcontracts.

Previously Reported:

When the Presidential Advisory Committee for 1983 is fully appointed, one of their priorities will be the development of a comprehensive plan consistent with section 7(j)(3) of the Small Business Act. The Committee's comments and recommendations together with the GAO Report entitled "SBA's Progress in Implementing the Public Law 95-507 Subcontracting and Surety Bond Waiver Provisions has been limited," which identified similar problems, will be brought to their attention.

Current Status:

The Small Business Administration developed and submitted a formal Activity Plan to the Chairman and each member of the Presidential Advisory Committee on Small and Minority Business Ownership.

The plan was extremely comprehensive. It encompassed all facets to provide a directional scope to assist the Committee in accomplishing the goals and objectives mandated under P.L. 95-507 and Executive Order 12190 and 12399. Namely, these goals and objectives are to assist in monitoring and encouraging the placement of subcontracts by the private sector with eligible small businesses, particularly small minority businesses and to study and propose incentives and assistance needed by the private sector to help in the training, development, and upgrading of such businesses.

To accomplish the fulfillment of these mandated duties, the Committee has conducted a total of 18 meetings throughout the United States, meeting with the Chief Executive Officers of our Nation's large private sector corporations to obtain greater subcontracting opportunities for the small and small minority business entrepreneur.

II. THE SUBCONTRACTING PROGRAM
C. Small Business Administration

Recommendation 7 (cont'd):

Additionally, the Committee, in its year-end report to the President and the Congress, submitted a total of 11 suggested incentives needed by the private corporate sector to assist in the training, development, and upgrading of the small and small minority business firms.

Recommendation 8:

Report to this committee by February 15, 1983, and on a quarterly basis thereafter all efforts undertaken or planned to comply with recommendations c(1) through c(7).

Previously reported:

In order to maximize the time for management and staff on program implementation, it is suggested that these reports be incorporated into the already established annual report.

Current status:

All required subcontracting program reports have been submitted by SBA to the Congress. This testimony has served to update the status of SBA action with regard to recommendations c(a) through c(7).

Mr. **Mitchell**. Thank you very much.

I am going to ask that Congressman Addabbo go first with his questions so he can make his other meeting.

Mr. **Addabbo**. Thank you very much, Mr. Chairman.

How many subcontracting specialists are actually assigned to each region?

Mr. **Herrera**. Dick, do you want to address that?

Mr. **Durkin**. I do not have the exact number with me today, Congressman, but I can get that for you. We are in the process of reviewing the whole process of that subcontracting program, including the staffing, what is being done——

Mr. **Mitchell**. Will you pull your mike a little closer to you. I think there might be some difficulty in hearing you.

Mr. **Durkin**. I do not have that number, although I think a member of my staff that is here could give you that number this morning.

Mr. **Addabbo**. Do you know or could you supply for the record how many prime contractors are actually assigned to each subcontracting specialist?

Mr. **Durkin**. I think we average around 17.

Mr. **Addabbo**. In looking at the region IX, southern California, which unfortunately, because of New York not having all that work and California having it all. We have looked at southern California, and we find that we only have two subcontracting specialists covering the entire southern California area.

We look at the numbers there, and we find that you have almost 49 primes assigned to each subcontracting specialist. Why such an inequity when most of the business happens to be confined in that area?

Mr. **Durkin**. Actually, California is the only place that we have procurement personnel at the district level, working at the local level. We have a new assistant regional administrator for procurement and technical assistance that will be on site within this month. He is in the process of examining what you are suggesting, how that can be handled most equitably.

But I think going beyond that, he is also examining, at my request, what can we do to create not just more spread but how can we more effectively handle more firms with the people we have.

We have been examining both paper as well as procedures and relationships, how to make sure that we do have a more equitable spread in terms of numbers, as well as how we are affecting the penetration of the primes that we review.

I would expect that within a period of time between now and mid-May, I will be prepared to present what will be the completion of my review on the subcontracting program, and which will include answers to questions like how we are going to do it in terms of the staff that we have.

Mr. **Addabbo**. You know, I have sat on this committee for many years, and we keep hearing the same testimony. I can almost take the sets out from prior hearings, and the same testimony comes out, "We are going to do something."

You know, Public Law 95-507 has now been on the books since 1978. This administration has been in office since 1981, and looking at the testimony before us, on page 2, we are looking at subcontracting dollars in thousands, in 1978 it was 44.4 percent; in 1979, it was 43.9 percent; and in 1980, it has slipped to 41.2 percent.

Then we start with this administration, and in 1981, 37.7 percent; 1982, 37.6; and in 1983, we just moved up a little because we are getting into an election year, we have 39. And we look at the subcontracting on the minorities, and we go to 2.5 in 1980, and we go 2.1, 2.0, 1.9, so, we are going the wrong way.

So, again, all we get is rhetoric when we had these hearings, we are going to do something; but when we look at the facts, we find out we are doing something wrong, because we are going the wrong way.

Now, why has it decreased instead of increased?

Mr. **Durkin**. We are not satisfied with the numbers, Congressman.

Mr. **Addabbo**. You should not be satisfied; I mean, we have got plenty of rhetoric. We get plenty of press releases on how good we are doing for small business, but when we come to the dollars and figures, it is not there. Why?

Are we looking to destroy small business?

Mr. **Herrera**. Congressman, there are a lot of factors that impact on whether small business, especially disadvantaged businesses get contracts, or subcontracts. We do not control a lot of those factors. A lot of those factors are controlled by the marketplace.

We are trying to do what we can within the constraints of the law.

Mr. **Addabbo**. The constraints of the law give you Public Law 95-507, which is specific, that there has to be breakouts; there have to be subcontracting provisions in those contracts before they are let.

The Small Business Administration is supposed to be the advocate of small business people. It is not the advocate of the Government's policy to destroy small business. You are supposed to be looking to help small business.

Mr. **Herrera**. And, Congressman——

Mr. **Addabbo**. Don't give me excuses that there are many factors. The defense budget has increase tenfold, and we look at the figures here, and they go the opposite way.

When I see 2 specialists on 49 companies, you are not paying attention to what should be done, something has to change.

Mr. **Durkin**. One of the reasons that the Administrator asked me to come in, Congressman, is that I come from the field.

Mr. **Addabbo**. How long have you been a regional Administrator?

Mr. **Durkin**. For 2½ years in Chicago, Congressman; and in the 2½ years, I have made it a practice to get to know the system, the mechanics; what is working; what is not working.

I have communicated my feelings to the Administrator, and he has asked me to come in and see what I can do to build the linkages that are necessary to achieve some of the things that you are asking for. I think we have to demonstrate greater leadership. I think we have to build those linkages if we are going to achieve some of the results that you are looking for, and that we are looking for. Part of that is to create a management system that we can put into place that will bring together the elements of SBA to provide greater opportunities in the subcontracting——

Mr. **Addabbo**. When? When?

Mr. **Durkin**. I think I mentioned a little earlier that I hope to complete my review by the third week in May and we have started making some changes that we have already identified that can be made. I think by the third week in May we will complete our review and be ready—in fact, in the process, will be willing to sit down with members of your staff, Mr. Chairman, to review some of the things that I think can work.

These are changes at the delivery system level. It is moving away from a focus just here in central office and getting down to where the small and small disadvantaged businesses are, and what we are doing in terms of our relationships, both internally and externally, and how we can bring opportunities together in terms of matching the abilities of our contractors, and the opportunities of Government.

I do not believe that has been done as effectively as it can be, and we are going to work very hard to do that.

We are also going to be working with minority business organizations, in asking them to develop profiles and inventories of those qualified contractors they have now in place, to make sure all of our people have that kind of information so they can act on it.

To ensure, Congressman, that that is going to work, we are also going to install an internal control review, which is, in fact, our method of controlling that which we are trying to do is, in fact, going to work in place.

These are all new elements that we hope to put in place as quickly as possible, but probably no sooner than early this summer.

Mr. **Addabbo.** There was a task force report on information of Public Law 95-507, and third-rate recommendations for improving implementation of subcontractor provisions of 95-507, as they apply to minority business was submitted to Mr. Sanders on November 3, 1982. This is roughly 18 months later.

There hasn't been an answer to that. There hasn't been an implementation to those recommendations, and now you're going to make a new study, and it will take another 3 years.

You know, I deal with the military every day of the week, and they have that habit of 3 year studies because that's the term of office, each office has as long as he's in station. By the time he gets through a new officer comes in; he's got to make a new study, and that's what it sounds like here.

Mr. **Durkin.** May of 1984, I think I said, Mr. Chairman.

Mr. **Addabbo.** 1982.

Mr. **Durkin.** No; I said I'm here to complete my action by May 1984 in what I'm trying to institute.

Mr. **Addabbo.** What I'm saying to you is this sounds like the same rhetoric. In other words, he has this task force in 1982. Eighteen months later we say we're not going to study again; we're going to have some recommendations made by May 1984. When will they be implemented?

Mr. **Herrera.** Congressman, first of all, with regard to the task force report that you just mentioned, that did not fall on deaf ears. We also did not just let the report lie. We took some action on it.

The executive order that was signed by President Reagan in July 1983 for minority business development incorporated some of the recommendations that were made by the task force. I can go through those recommendations and tell you the action that we've taken, if you'd like?

Mr. **Addabbo.** For the interest of time put them in the record. Let me take a look at them.

Thank you, Mr. Chairman.

[The information referred to above follows:]

This is a list of recommendations. Currently the SBA is favorably considering recommending the implementation of recommendation number 7. If an Executive Order is issued then it will also place into effect recommendations 1 thru 6.

I. Work Plan of the P.L. 95-507 Task Force.

II. Summary of Recommendations.

III. Report of the Task Force on P.L. 95-507.

A. Introduction.

B. Specific Recommendations and Rationale:

Recommendation 1.—National Goal of Annual 15 Percent Minority Business for Subcontracting.

Recommendation 2.—Evaluation Points to Prime Contractors for Subcontracting With Small and Minority Businesses.

Recommendation 3.—Monetary Incentive Payments to Prime Contractors for Exceeding Small and Minority Business Goals.

Recommendation 4.—Agency Small and Minority Business Performance Goals and Critical Performance Standards.

Recommendation 5.—Special 95-507 Minority Business Task Force to Be Established at SBA to Encourage Top 100 Prime Defense Contractors to Use Small and Minority Businesses As Subcontractors.

Recommendation 6.—Clause Certifying Contractor's Minority Business Subcontracting Activities As Satisfactory to Be Required.

Recommendation 7.—Executive Order Setting National Minority Business Subcontracting Goals and Incorporating All Recommendations.
IV. Conclusion.
V. Text of the Executive Order.
VI. Exhibit to Recommendation 3.

Mr. **MITCHELL.** Thank you, Mr. Addabbo.

I'm not as upset and irate as you are about the decline in contracts going to small and disadvantaged business. I'm not as upset simply because there's a new philosophical tone that's out here now, and it's very clear in all the agencies of Government that the minorities are not of any major concern during this time. That attitude has filtered down throughout the ranks of the agencies of Government, including the SBA. I expect that we will see a decrease in the number of contracts awarded to small and small disadvantaged businesses.

I say that without any hesitation or equivocation because of the number of minority business persons that I deal with who go to the agencies and come back to report to me about the contumacious treatment they have received when they contact the Federal agencies.

Indeed, in one case earlier on in 1981 a minority businessman went in to attempt to avail himself of the provisions of Public Law 95-507, and was simply told "this is a new ball game and you're not in it." So I'm not so shocked about the decline in the awards of contracts or subcontracts to small disadvantaged businesses.

I am disturbed though about the use of words and you have touched on this, which obfuscate and obscure really what's going on. I think it's misleading to state on page 2 "the general increase available in subcontracting dollars show an increase from $18.8 billion in 1978 to $51.9 billion in 1983."

Well, that's a very misleading kind of statement to make. You need to break out that at a specific point the decline in subcontract awards to small disadvantaged business started to take place. And as you've indicated, it did start to take place in 1981.

I just wanted to get some clarification. I will not deal with studies. The SBA studies have been extended ad nauseam, and I frankly have no further use in them, and that that's busyness rather than business.

I am concerned about some of the catch phrases that are used by the agencies when they come in to fill out their testimony. A catch phrase such as "our current efforts are to obtain greater cooperation and support from other SBA programs, and other agencies for the subcontracting problem," what the devil does that mean? You've got a law, and the law needs to be enforced. You don't guard soliciting, the cooperation for the support of the law. At least I don't think you do. The law is on the books.

What do you mean by this, getting greater cooperation and support, Mr. Herrera?

Mr. **HERRERA.** I believe Mr. Durkin can address that, Mr. Chairman. He was talking about some of the things that he's already started to do as regional administrator in the Chicago area. Most recently as the Acting Associate Administrator from PTA.

But a lot of those things include getting the field offices to take more active roles in the procurement process. We're not only working with the prime contractors, but also with the small businesses.

Mr. **MITCHELL**. Wouldn't that just be an ordinary SOP standard operating procedure for them to participate in this?

Mr. **HERRERA**. Mr. Chairman, it is there, but it's also a continued effort to try and get those things to work.

Mr. **MITCHELL**. Well, that's my point. You've got a law, and I assume you develop procedure around the law.

Why is it such an extraordinary thing to get it to work? In the House we have rules of procedure and we follow them. I don't like them all the time, but those are the rules of the House.

For the life of me, it's almost incomprehensible to me that after all of these years you're still trying to get them to work. I just don't understand it. Maybe it's because I'm disadvantaged and small, but I don't understand the intricacies and the complexities of the bureaucratic mind as it seeks to support the law.

In your testimony you indicated there were 35 findings of final noncompliance. What remedial actions were taken against these 35 cases?

Mr. **DURKIN**. What we do, Mr. Chairman, is contact both the contractor as well as the procuring agency, and try to get them to change and to understand the nature of our concern about compliance. Within that framework we communicate directly with both the contracting officer, as well as the contractor involved.

Mr. **MITCHELL**. What's the oldest case of noncompliance? Do you know off hand?

Mr. **DURKIN**. No, sir, I don't.

Mr. **MITCHELL**. All right. Well, whatever the oldest case is, let's take that.

When you say you try to reach them, and try to get them to agree to comply with the law, this is certainly a new twist in the democratic process in our system of law and Government. Out of those colloquies and conversations have you gotten any of them to comply with the law?

Mr. **DURKIN**. I can't answer that specifically, Mr. Chairman. I can say that we make every effort we have in the way of tools and the law.

In fact, the contracting officer is responsible for the enforcement of that law, and we advise both he or she, and the contractor, of our position on the law, and do advocate the position as strongly as we feel we can.

Mr. **MITCHELL**. What happens after you advise them and they not literally, but figuratively thumb their nose at you? What do you do?

Mr. **DURKIN**. In most cases, because of the number of cases we've looked at, and the number of noncompliance cases that end up as the result, I think there's been a positive influence on those positions.

Mr. **MITCHELL**. How many noncompliance cases are now in compliance? How many of the 35?

Mr. **DURKIN**. I can't answer that today.

Mr. **MITCHELL**. Then how can you say that in most cases there's been a positive reaction?

Mr. DURKIN. Well, we're talking about reviewing 10,000 plans in the course of a year, and out of that many cases that are looked at; many are found in interim noncompliance, which through our action, and discussions——

Mr. MITCHELL. If I may, in this one case we're talking about final noncompliance, where they have said, "Damn it, we are not going to obey the law."

Mr. DURKIN. Um-huh.

Mr. MITCHELL. That is what they have said, and now you cannot tell me how many of those final defiers of the law have been handled in any sort of fashion.

Mr. DURKIN. Sir, we report them to Congress, as required by the law.

Mr. MITCHELL. As I understand the law, and I will look it up again, if there is total final noncompliance, then, the contract should be broken. Period.

Mr. DURKIN. That is under the jurisdiction of the contracting officer, Mr. Chairman.

Mr. MITCHELL. What do you do with the contracting officer, in these 35 cases?

Mr. DURKIN. We try to identify those cases in our opinion, are in noncompliance, in an advisory capacity.

Mr. MITCHELL. Then the contracting officer says, "Yeah, you have talked to me. So what? So what?"

Then what other action do you take?

Mr. DURKIN. We report them to Congress, sir, in the final analysis.

Mr. MITCHELL. Do you ever report them to the Justice Department for breaking the law?

Mr. DURKIN. I do not recollect any indication that we have done that.

Mr. MITCHELL. Do you think you might entertain some system of law and order in the implementation and in your implementation of the law?

Mr. DURKIN. We will review that, yes, sir.

Mr. MITCHELL. Now, 8,214 reviews by 29 subcontracting specialists. That gives you an average of about 283 plans reviewed per specialist; right? On the average? Would that be about right?

Mr. DURKIN. It sounds right, sir.

Mr. MITCHELL. OK. Let's assume that there are 240 working days in a year. That is not including annual or sick leave. That averages out to 1.2 subcontract plans reviewed per day per specialist.

Would that be about right?

What I am trying to get is what is the depth of the review process. Just from the analysis that I made, it seems like they are churned in and churned right back out. "Here's mine, Joe."

"OK, let me look it over. It looks good to me. Pass it on, and send me over another one."

What is the real in-depth review?

Mr. DURKIN. It includes the review at the plant site or the offices of the firm. It includes an examination of not just a plan, but also their performance at that point. A considerable amount of effort by the subcontract specialist in doing that.

Mr. MITCHELL. They do all three at the plant site?

Mr. **Durkin**. Plus the traveling time necessary to deal within their territory, which is considerable. Plus the plethora of records and information that they must keep, which takes up a lot of their time in completing forms that have been necessary up until now, that cut into their productive time.

Mr. **Mitchell**. Well, if they are doing on the average of one subcontracting plan review per day per specialist, then it means that a part of their time is in travel, is it not?

Mr. **Durkin**. Yes, sir.

Mr. **Mitchell**. They go to the site in each case?

Mr. **Durkin**. If the plant is within their territory assignment, yes, sir.

Mr. **Mitchell**. That means instead of working 240 days, the specialist is actually working on a review, that is cut in half; right? If they have to travel for a day or a half day of travel.

Mr. **Durkin**. Traveling does cut it considerably. I do not have the exact figures as to what that is at this point.

Mr. **Mitchell**. Then it would further suggest to me that, at best, this is a very cursory review.

Mr. **Durkin**. I am sorry?

Mr. **Mitchell**. This is a very cursory, surface review.

Mr. **Durkin**. Because the subcontract specialists have been working in a territory over a period of time, they tend to be aware of where those contractors are, and what they are, and it is not necessary to review in detail everything every year.

Mr. **Mitchell**. Oh, I would. I would if you have people violating the law——

Mr. **Durkin**. I am sure that where they find that, they do report it, sir.

Mr. **Mitchell**. To the Congress?

Mr. **Durkin**. Yes, sir.

Mr. **Mitchell**. The Congress alone in its omnipotence and omniscience is supposed to handle this.

Mr. **Durkin**. That is what the law indicates to us.

Mr. **Mitchell**. Even though it is a violation of law which could be a criminal matter, which it seems to me an agency would report to the Justice Department.

Mr. **Durkin**. I have already indicated that we will review that, sir.

Mr. **Mitchell**. You will review it?

Mr. **Durkin**. That request——

Mr. **Mitchell**. Have you ever reported a single case to the Justice Department?

Mr. **Durkin**. I will also review that. I do not know that.

Mr. **Mitchell**. To the best of your knowledge?

Mr. **Herrera**. To the best of my knowledge, I do not know of one.

Mr. **Mitchell**. Mr. Wilfong, you are rather new, I suppose. Do you know of any case where a violator of the law of the land—that that information has been sent to the Justice Department?

There is really no need for me to prolong this. You have simply reinforced my worst fears, that there is a slack-off, a backing off, if you will, in terms of the implementation of the law.

You have reinforced my worst fears in the sense that apparently there is no real deep and systematic review of compliance with the law, and, frankly, I do not expect that to change.

Where are the lawyers? You know, I am a litigious person, and I would love to file suit against people who countenance violations of the law, but I do not know whether or not I have standing or not to do that.

I will tell my lawyers, find me some standing.

Yes, do you want to make a statement?

Mr. HERRERA. Yes, sir.

Mr. Chairman, first of all, I want you to know that the administrator, myself whom you see here, have a deep commitment to small business, to small disadvantaged business.

There are a lot of other statistics that we could go through to indicate to you the depth of this commitment. I myself have attended many, many procurement conferences where I have talked to many minority businesses about the procurement process and how they might be able to take advantage of that.

But, as a former businessman myself, I know there are a lot of problems associated. You cannot lay all of the blame on the Federal bureaucracy for the subcontracting information that you see here. Even though the percentages have been going down, the contract dollars have been going up. The percentages naturally have gone down, because there is tremendous more procurement being done today than there was back in 1978.

We are still unsatisfied with that. We agree with you in that regard. We think that the percentages should also be going up. We are trying to do what we can to achieve that result, and Mr. Durkin outlined some of the things that we are working on.

I have known Mr. Durkin now for the year and a half that I have been in SBA. I know he is a very responsible individual, and know that he is going to do a good job as the Acting Associate. He was brought into this position to try to bring some new ideas, some new approaches as to how we might be able to better achieve our goals and objectives, and our commitment is there.

You may not agree with that, but our commitment is there.

Mr. Wilfong also has a few comments he would like to make, Mr. Chairman.

Mr. MITCHELL. Yes, Mr. Wilfong.

Mr. WILFONG. Mr. Chairman, it is my pleasure to see you again, and appear before you.

I am sorry you are displeased.

Mr. MITCHELL. Would not you be?

Mr. WILFONG. Yes. I am not totally pleased at all with the progress, but I look at it from another respect, and that is progress, overall progress. I am sure that you have to look at it, and dissect it between subcontracting and overall progress.

Mr. MITCHELL. Yes.

Mr. WILFONG. I think you know I have been here a short time, but it is long enough for me to have observed a lot of things.

Also, you know, I have been involved in minority business enterprise a long time and I have interrelated with you a long time. I think we share many of the same ideas and desires about what we want to see about minority business.

That is the thing that I want to talk about, is the overall progress. While the subcontracting, admittedly, is down, and I am not pleased with it at all; I will say that up front, we have significantly increased our portion of the subcontracting to SBA, the Government is a prime contractor to SBA, and the minority business is a subcontractor, but in this respect, let us take it as prime contracting.

Our 8(a) contracting this past year was $2.3 billion. We had projected $1.9, so there is a significant increase over our projection and a significant increase over what we have done in the past year.

I am not totally pleased with that either. I think we should do a greater amount of that this coming year. I am very much concerned about the overall firm's development rather than this procurement dollars. That is, I want to see what can happen to a firm, not only after it gets the dollars in, what does it do to retain that in capital, capital ownership so that it is more readily able to compete in the marketplace at some point in the future.

That is, as a matter of fact, compete for the subcontract in dollars.

I suspect that what may have happened over a period of time is that we have concentrated too much on just the procurement of dollars in the 8(a) program, and not enough in the overall development of the firms, to enable them to fairly compete even in the subcontracting field.

Though I know you have wondered about why would we use words such as "cooperation," seeking to secure cooperation, I wish we did not have to, but I feel that we must do what we must do. Sometimes it takes "seeking cooperation."

Mr. MITCHELL. Yes, there is a reason I got a little edgy. Can you see me walking around to my office where I employ my staff, and ask, "This is the way I want things done," and they do not do it.

I say, "Please cooperate with me."

Can you see me doing that?

Mr. WILFONG. No, I cannot, Mr. Chairman. I could not see myself doing that.

You know when I was at Wilfong & Co., if an employee did not do that, it was very easy to get rid of him and get another employee. It is not that easy in the Federal Government.

Mr. MITCHELL. That is self-evident.

Mr. WILFONG. So I think I won't make any apologies, but I think you know, even myself, I have to go around to my staff and seek cooperation. I'm not going to complain about that, but that's the way the Federal system is.

Mr. MITCHELL. It's a strange system.

Mr. WILFONG. It is a strange place, but again, now, getting back to how we deal with that, what you do is, first, you observe that it's a strange place, and you say, "Well, how do I operate here?" And I think part of what's happening with Mr. Durkin and myself is an indication of what can happen. Maybe the next time you see us, you can say there's been some progress.

I think the same thing is true in the agency; the Office of Minority Small Business and the Office of Procurement and Technical Assistance have not functioned as closely as they ought to in the past. I think with a greater degree of cooperation between the two shops, we will see a dramatic improvement in the subcontracting.

Mr. MITCHELL. Thank you.

Mr. WILFONG. Could I just point out a couple things?

Mr. MITCHELL. Sure.

Mr. WILFONG. Indicative of that, and not saying what's going to happen, but just this past week or two we have closed a couple of tremendous deals for us; $175 million is one under the pilot program with the Department of Transportation, and another one in excess of $30 million with the Department of Defense. Both of those may go up to triple or quadruple those numbers by the time we're finished. That's an indication it's high-technology kinds of things that we've never been into high volume, multiple-year contracts.

So I just wanted to say that while you may despair in subcontracting, Mr. Chairman, and while I may not like it, I'm really enthused about some of the things that are happening, and I think with that as a start, just have a little patience, and I think next year we will be able to improve your demeanor about that subcontracting.

Mr. MITCHELL. Thank you.

I just have one or two other statements, and then I'll quit. I've been patient since 1971, when I was sworn into the Congress, and that wears a little thin after awhile.

Let me assure you, gentlemen, I am not—I am not in any way attempting to denigrate you or your performance as individuals. I'm not attempting to do that. I think that would be unfair and unjust. What I'm attempting to show is that I believe you are almost victims, victims of a system that has said, "We're not going to really let minorities break through."

It's not that I'm blaming you, Mr. Herrera, or Mr. Wilfong, or Mr. Durkin. I'm simply saying that you are victims and seemingly almost powerless to make any significant breakthrough for minorities.

Mr. Wilfong, you indicated that you weren't so much concerned about the value of the contract, the contracts that contractors receive. You want to see the more stable business. The bottom line is you get the contract money first. You don't become stable unless you get a contract.

What is happening is apparent. We've seen the decline in the award of subcontracts. Just one last question on a most unusual case. There's an RCA contract at Fort Monmouth. That contract was formerly held by at least one minority firm, or several minority firms.

This subsidiary of RCA has received the total contract. And has not utilized a single minority, not one. To add to the irony of the situation, it is my understanding that this RCA outfit is to be cited, awarded, for its magnificent efforts on the part of minority businesses. Are you familiar with the Fort Monmouth contract? Any of you familiar with it?

Mr. HERRERA. Yes, sir.

Mr. MITCHELL. Who approved it?

Mr. HERRERA. I don't know who approved that contract itself. You're talking about the contract?

Mr. **Mitchell**. Yes.

Mr. **Herrera**. There was a letter, Mr. Chairman, I'm sure you're familiar with it, March 22, 1984, that was written to you by Mr. Sanders on that particular contract as a result of some inquiries you had made.

Mr. **Mitchell**. Yes. After you received my letter, and you know, what I tried to indicate to you, that subcontracting in the amount of $2.6 million was available. This amount was available for subcontracting through the RCA contract alone, $2.6 million.

At the time I wrote Mr. Sanders, minority-owned firms had received $1,795 in subcontracting. What, if anything, has happened to remedy that situation?

[No response.]

Mr. **Mitchell**. You don't know?

Mr. **Herrera**. I do not know, Mr. Chairman.

Mr. **Mitchell**. OK.

The last question: Do you still plan to go ahead and give an award, or recognition, to RCA for its magnificent efforts on behalf of minority businesses?

Mr. **Herrera**. I'm not familiar with that award.

Mr. **Mitchell**. Are you familiar with it, Mr. Durkin?

Mr. **Durkin**. I'm not familiar with it either.

Mr. **Mitchell**. Thank you very much, gentlemen.

Mr. **Herrera**. Thank you.

Mr. **Mitchell**. We will now go to James B. Hall, the Deputy Assistant Secretary of Army Acquisition, Rear Adm. Joseph Sansone, Deputy Chief of Naval Material for Contracts and Business Management, and Gen. Bernard Weiss.

General **Weiss**. Yes, sir.

Mr. **Mitchell**. General Weiss is the Air Force Director of Contracting and Manufacturing Headquarters, and Vice Adm. Eugene A. Grinstead is the Director of the Defense Logistics Agency.

Gentlemen, I appreciate your being here, and all of us have enormous demands placed on us, and I know it cuts into your workday to be here to testify. We appreciate your cooperation in being here.

Mr. Hall, will you lead off for us, please?

Mr. **Hall**. Yes, sir.

TESTIMONY OF JAMES B. HALL, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, DEPARTMENT OF THE ARMY, ACCOMPANIED BY JUANITA WATTS, DIRECTOR, SMALL AND DISADVANTAGED BUSINESS UTILIZATION OFFICE; AND HANK DUBICKI, DEPUTY FOR ACQUISITION POLICY, DOA

Mr. **Hall**. Mr. Chairman, I'm Jim Hall, Deputy Assistant Secretary of the Army for Acquisition. With me I have Mrs. Juanita Watts, the Director of the Small and Disadvantaged Business Utilization, and Hank Dubicki, who is the Deputy for Acquisition Policy.

Mr. **Mitchell**. Would you turn your mike on or would you turn your mike so that you talk into it?

Mr. **Hall**. OK.

I have a written testimony which has been presented. I ask that it be included in the record.

Mr. MITCHELL. Without objection, the entire statement will be submitted for the record.

[Mr. Hall's prepared statement with attachments follows:]

PREPARED STATEMENT OF JAMES B. HALL, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, DEPARTMENT OF THE ARMY

I appreciate the opportunity to appear before the subcommittee today to discuss the Army's implementation of the Small and Disadvantaged Business Subcontracting Program established under section 211 of Public Law 95-507.

The major feature of section 211 of Public Law 95-507 was the addition of a new requirement for a subcontracting plan for negotiated and advertised contracts over $500,000 ($1 million for construction).

On April 10, 1979, the Office of Federal Procurement Policy [OFPP] issued a notice of changes to be made in the defense acquisition regulation [DAR]. Thereafter, Department of Defense [DOD] issued defense acquisition circular [DAC] No. 76-19 which contained revisions to the DAR that reflect the new law and its implementation by OFPP. The Army follows the requirements of the DAR in all its acquisitions. The DAR merged into the Federal acquisition regulation [FAR] system, which became effective for all agencies on April 1, 1984. Part 19 of the FAR contains coverage of the small business and small disadvantaged business concerns. Defense FAR supplement and Army FAR supplement contain material that does not duplicate the FAR but is unique and necessary to effective implementation by DOD and the Army.

Chairman Mitchell's letter of March 13, 1984 requested that the Army testimony respond to some specific questions. Accordingly, we will respond to those questions now in the order they were presented in the letter.

In the first question, we were asked to identify the number and dollar value of contracts awarded during the last 3 years which contained subcontracting plans. The statistices for the latest three fiscal years (FY81-83) show the following:

[Dollars in billions]

	Contracts [1]	Value
Fiscal year:		
1983	1,860	$15.6
1982	1,712	13.4
1981	1,537	11.6

[1] Number of contracts awarded with subcontract plans.

As can be seen from these statistics, the trend is up as to the number and dollar value of contracts awarded by the Army that contain subcontracting plans.

Second question is in several parts and is quoted here in its entirety: "Number and dollar value of contracts awarded during the last 3 years which did not contain subcontracting plans, but which were required by law to contain such plans. What corrective action was taken regarding these awards? How many contracts have not been modified to include plans?"

As far as the information is available within the Army, all contracts awarded during the last 3 years for which subcontracting plans were required pursuant to regulations implementing the law, did contain such plans. It is noted, however, that the Small Business Administration [SBA] report to the Congress for FY 1982 cites eight instances of Army contracts where they were categorized as not having subcontract plans. Army's review of these allegations showed that four of the eight instances concerned modifications exercising options under contracts which were already covered in the original subcontracting plans. No new plans were required for the modifications. Of the remaining four, one action involved a 1975 contract which was modified to include the plan which was several months later than it should have been. For the remaining three, no subcontracting opportunities existed as determined by the contracting officer. Consequently, no plans were required.

In the third question, the subcommittee asked, "How many plans did SBA review during the last 3 years? What was the number found deficient and dollar value of such contracts?"

We have no knowledge of the total reviews made by SBA of Army's contracts. We note again, however, that the SBA report (dated May 3, 1983) to the Congress for

FY 1982, alleges 71 deficient plans for Army contracts. These areas primarily concern "goals" and "flow down" of subcontracting provisions. SBA report takes the position that the negotiated goals were "less than maximum practicable opportunity" as viewed by SBA reviewers. Based on the minimum of information available in the SBA report, we cannot agree with those conclusions. Army contracting officers, small business specialists, administrative contracting officers and the SBA procurement center representative [PCR] participate and coordinate in the goal setting process prior to contract award.

The fourth question asks for the total dollar value of all subcontracts awarded during the last 3 years under prime contracts containing plans and the dollar value and percentage of subcontracts awarded to small and small disadvantaged businesses.

Response to this question must be viewed with the clear understanding of DOD policy on administration of contracts after they are awarded by the Army procurement offices. The DOD policy is to make maximum use of the contract administration offices established by the defense contract administration services [DCAS] (a part of Defense Logistics Agency) and the military departments under the plant cognizance program for the performance of contract administration functions. Accordingly, most Army contracts are assigned for administration to DCAS or the other services. The contracts that are administered by the Army are such as the Government-owned, contractor-operated Army ammunition plants, Corps of Engineer contracts for construction, three contractor aircraft plants, etc. . . . Therefore, the statistics in response to this question cover primarily these areas, and do not relate to the total contracts awarded by the Army. The statistics for the latest 3 fiscal years are as follows:

[Dollars in millions]

	Fiscal year—		
	1981	1982	1983
Value of subcontracts awarded	$1,461.3	$1,347.7	$1,622.6
Value of subcontracts to small business	$709.9	$606.2	$708.0
Percentage to small business	48.6	45.0	43.6
Value of subcontracts to small disadvantaged business	$68.3	$62.1	$72.2
Percentage to small disadvantaged business	4.7	4.6	4.5

We believe that the above statistics demonstrate that the Army's performance in subcontracting to small and small disadvantaged business concerns is favorable.

As to question number five regarding contracts and contractors that were found to be in noncompliance. Unofficial information indicates that there are two or three instances where SBA has identified such situations involving Army contracts. In one case, Army has the responsibility for contract administration, while the other two are under DCAS. Apparently, in all three cases SBA is not satisfied with the contractor's efforts in monitoring subcontracting activities. We are looking into this matter now and will assist SBA in solving the problem.

Question number six asks for our efforts in the Outreach Program. The Army has an active Outreach Program that includes one-on-one counseling by Army small and small disadvantaged business utilization specialists. Also included is very active participation and sponsorship of procurement conferences, including those sponsored by the Department of Commerce, Members of Congress, local governments, trade associations, and those sponsored by individual Army commands and installations. During the past 12 months, the Army has supported, sponsored or cosponsored 71 such conferences.

Question seven will be answered in two parts. Part 1 is: "Give the number and dollar value of prime contracts awarded where the goals recited in plans were not met."

Statistics in response to the above are as follows:

[Dollars in millions]

	Fiscal year—		
	1981	1982	1983
Number of contracts where small business goal was not met	13	5	9
Dollar value of subcontracting under contracts not meeting small business goal	$63.3	$3.6	$41.2
Number of contracts where small disadvantaged business goal was not met	11	15	7
Dollar value of subcontracting under contracts not meeting small disadvantaged business goal	$64.2	$59.6	$8.3

Part 2 of the question is "What is the average goal attainment for both small and small disadvantaged business?"

The information in regard to this is as follows:

[In percent]

	Fiscal year—		
	1981	1982	1983
Average goal attainment for small business	223.9	275.9	294.2
Average goal attainment for small disadvantaged business	135.2	224.4	394.1

Question No. 8 is as follows: "What were your subcontracting program goals for the last 3 fiscal years? Were goals met? If not, explain." The Army's subcontracting program goals and achievements for the past 3 years were:

	Fiscal year—		
	1981	1982	1983
Goal	$589.6	49.5%	46.0%
Achievement	$709.9	45.0%	43.6%

As can be seen from the above, the Army has exceeded its dollar goal in FY 1981 by a significant amount. This represents 48.6% accomplishment. Based on that, our FY 1982 and 1983 percentage goals were optimistically set. Also, it should be noted that the Army has only a 4.2% share of the total DOD subcontract dollars reported in FY 1983. Thus any fluctuation in the subcontract awards in the largest on-going contracts, without corresponding new contract awards that provide subcontracting opportunities, has a drastic impact on whether or not we achieve our subcontracting goals. For FY 1982 and FY 1983, while our percentage goals were not achieved, the dollar value of subcontracts remained high ($606M for FY 1982 and $708M for FY 1983).

Question No. 9 deals with the performance appraisal of acquisition personnel with respect to small and small disadvantaged business concerns. The Army policy, set forth in the Army supplement to the FAR, requires that heads of contracting activities (HCA's) shall have small and small disadvantaged business utilization goal attainment included as part of their annual performance appraisal.

In addition, in June 1983 Secretary of the Army promulgated policy requiring all commanders and managers of purchasing activities to have goal accomplishment included as part of their annual performance appraisals.

The committee requested that we address all actions taken by the Army in response to the recommendations on subcontracting in House Report 97-956. The first recommendation deals with new quarterly reporting requirements. Within the Army we already compile, on a quarterly basis, data on the number of contracts which contain plans and for those contracts administered by the Army we have the dollar value of subcontracts awarded, the dollar value and percent of subcontracts awarded to small business and to small disadvantaged business. We also know the number of contracts completed each quarter which contained subcontracting plans and whether goals were met. Action has been taken by the Office of the Secretary of Defense to place the committee on the regular quarterly distribution for this report.

The second recommendation is for us to provide SBA with adequate and timely information with respect to the award of contracts covered by section 211. This is already done. Upon award of such contracts, information is distributed to the SBA region and a copy of the subcontracting plan is provided the SBA resident procurement center representative.

The third recommendation concerns debarment proceedings against any contractor who is determined to have violated more than one plan. We don't believe that we have any contractors in this category. The FAR provides procedures for the debarment of a contractor for willful failure to perform in accordance with the terms of his contracts. We believe that in most cases our contracting activities can resolve any shortcomings in prime contractor's subcontracting plans and their performance against the requirements of the plan without resorting to what would be a very costly procedure in virtually every case. If, however, a contractor willfully refuses to comply with section 211 of Public Law 95-507, debarment is one of many remedies available to us.

The fourth recommendation concerns personnel performance standards. I believe that has been adequately covered above in my response to question No. 9.

Finally, I want to emphasize that the Army is committed toward doing as much business as possible with small and small disadvantaged businesses. We recognize the importance of such firms to maintaining a strong industrial base. We intend to continue to make every effort to assure proper implementation of section 211 of Public Law 95-507.

QUESTIONS OF THE SUBCOMMITTEE AND RESPONSES OF JAMES B. HALL, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, DEPARTMENT OF THE ARMY

QUESTION #1: This Committee has reviewed 4 outstanding contracts with the Army involving 9 of the largest contractors doing business with the Federal government. One of these 4 contracts had no goal set for subcontracting to small disadvantaged business. Moreover, this same contract (PRC, No. DAAK 80-79-C-0002) had no goal for subcontracting to small business generally. Please prepare a brief narrative on this contract explaining why the contracting officer thought the lack of goals was justified, and submit the same for the record. Moreover, it can be inferred from this contract (in comparison to others) that small disadvantaged business goals are omitted more frequently than small business goals. Please address this issue with any justification therefore in your narrative.

ANSWER: Contract PRC, No. DAAK 80-79-C-0002 was awarded on 1 November 1978. The solicitation was issued and the contract was awarded prior to the implementation of the new requirements through the Defense Acquisition Regulation in July/August 1979. Accordingly, the contract was in full compliance with all applicable procurement regulations then in effect since there was no requirement for submission of a subcontracting plan. Subsequent modifications adding work did not include a plan because it was determined by the Contracting Officer, with consultation and assistance of program and technical personnel, that no subcontracting opportunities existed. Small disadvantaged business goals and small business goals are always included in contracts where reasonable opportunities for subcontracting exist for those concerns.

QUESTION #2: A review of the quarterly statistics reported on SF 295's concerning the following contracts raises a strong inference that goals are being set for small disadvantaged firms at much too low a level:

a. GTE, No. DAAK 80-80-C-0280
b. RCA, No. DAAB 07-82-C-J114
c. General Dynamics, No. DAAE 07-81-C-0001

Please prepare a brief narrative on each of these contracts explaining why the contracting officers thought these goals were sufficient, and submit the same for the record.

ANSWER: Response on each contract follows:

a. GTE, No. DAAK 80-80-C-0280 - This is the initial production (IP) contract for AN/TTC-39 and AN/TYC-39 switches and is the follow-on to the full-scale engineering development contract (FSED). During FSED stage, subcontractors were identified for various components. The need for continuity, interchangeability and reliability of components for these complex equipments limited flexibility in awarding subcontracts. For these reasons, small disadvantaged business goals that appear comparatively low were considered acceptable for the instant award. It is anticipated that breakout programs will substantially increase small disadvantaged goals in future contracts.

b. RCA, No. DAAB 07-82-C-J114 - The contract is for AN/TSC-94A/100A terminals and low rate multiplexers. Review by project engineers indicated a limited number of small business and small disadvantaged business concerns in complex satellite communications industry. Subcontracting plan incorporated into the contract was submitted to the Command Small and Disadvantaged Business Advisory Office for review and comment prior to acceptance and was considered adequate.

c. General Dynamics, No. DAAE 07-81-C-0001 - The Contracting Officer determined that the Small Disadvantaged Business Concerns goal was sufficient because the contractor has a responsible program under which they establish realistic goals. This program includes review of previous buys and maintaining frequent contacts with purchasing personnel to improve utilization of small business concerns. Consideration is given to various Small Business Directories, use of a Procurement Automated Source System, and screening the Bill of Material to identify items potentially obtainable from small business concerns. Additionally, specific efforts are undertaken to locate small, small disadvantaged and women-owned firms and make recommendations to Purchasing Management on their capabilities. Considering the extensive program that has been in place since 1972, realistic goals were negotiated with the contractor. The specific goal percentages were reviewed and approved by the Small Business Administration (SBA) Procurement Center Representative (PCR), without adverse comment, before incorporation by the Contracting Officer into the contract.

The Small Disadvantaged Business Concerns subcontracting goal for this Contract represented a significant increase from the prior years contract plan. The increase was from $32,191 to $800,000 for Small Disadvantaged Business Concerns, an increase of over 2300%.

It should be understood that in the early phase of a program a contractor is expected to have less success with his small business plan because of the lack of data available for selecting sources. As more historical data is accumulated, a greater effort and success can be expected and higher goals are appropriate.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, DC 20310

8 MAY 1984

SARDA

Honorable Parren J. Mitchell
Chairman
Committee on Small Business
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

During the hearings on the Small Business Subcontracting Program on April 10, 1984, before the Subcommittee on SBA, SBIC Authority, Minority Enterprise and General Small Business Problems, you have asked the Department of Defense Panel members to provide for the record certain information regarding contracts for recruitment advertising services. You have also asked the Army to provide information concerning RCA's subcontract performance and address actions being taken on contractor's request for an incentive fee payment under the Ft. Monmouth base operations contract.

With regard to your request on advertising contracts, I am pleased to advise that we have been able to assemble significant data addressing all aspects of the Small Business Subcontracting Program on these contracts. The information compiled for the latest four years is contained in the attachment, and includes names of advertising agencies, value of prime contracts awarded, subcontracting goals for small business and disadvantaged business concerns and their accomplishments. As evidenced from the statistics, the Army's performance against both small business and disadvantaged business goals is excellent and the trend is up.

In reference to the RCA-Ft. Monmouth base operations contract, please be advised that the Army responded to your office, by a letter of 30 April 1984, addressing all issues that were raised in your letter of 23 February 1984, which are the same as at the hearings.

I hope this information is responsive to your requests.

Sincerely,

James B Hall

1 Encl
as

James B. Hall
Deputy Assistant Secretary of the Army
(Acquisition)

ARMY CONTRACTS WITH ADVERTISING AGENCIES

The Army has two contracts with advertising agencies. The first contract is with N. W. Ayer & Co. for recruiting advertising which covers requirements for the U.S. Army (active duty, Reserve and Reserve Officer Training Corps), except Army National Guard. The second contract handled by the National Guard Bureau is with Needham, Harper & Steers, Inc. for recruiting advertising for the requirements of the Army National Guard and the Air National Guard.

These contracts are awarded for a one year term and contain annual options for two additional years. Historically, options have been exercised under both contracts. Subcontracting plans and goals for small business and disadvantaged business concerns are negotiated for each year. Subcontracting plans are reviewed and evaluated by source selection panels and the contracting officer to insure completeness of the plan and that maximum practicable goals are established. Statistical information requested is provided below for each contractor.

CONTRACTS WITH N. W. AYER & CO.

(U.S. ARMY REQUIREMENTS)

A. Prime Contract Awards:

FY	$ Value
83	$82.8M
82	$65.0M
81	$70.4M
80	$56.0M

B. Subcontracting Plans and Goals:

FY	Total Subcontracting	Small Business	Disadvantaged Business
83	$50.2M	$30.1M (59.9%)	$5.1M (10.1%)
82	$53.5M	$24.5M (45.7%)	$5.1M (9.5%)
81	Not Available	NA	NA
80	Not Available	NA	NA

C. Reported Subcontracting Accomplishments:

FY	Total Subcontracted	Small Business	Disadvantaged Business
83	$61.8M	$35.9M (58.1%)	$5.9M (9.5%)
82	$50.1M	$32.1M (64.0%)	$5.1M (10.1%)
81	$53.8M	$20.5M (38.1%)	$5.7M (10.6%)
80	$49.7M	$22.2M (44.6%)	$4.7M (9.5%)

CONTRACTS WITH NEEDHAM, HARPER & STEERS, INC.

(ARMY AND AIR NATIONAL GUARD REQUIREMENTS)

A. Prime Contract Awards:

FY	$ Value
83	$4.7M
82	$4.1M
81	$4.0M

B. Subcontracting Plans and Goals:

FY	Total Subcontracting	Small Business	Disadvantaged Business
83	*45% to Large Business	35%	20%
82	*45% to Large Business	35%	20%
81	*45% to Large Business	35%	20%

*This was the first requirements type contract awarded to this agency. Thus, no prior subcontracting experience was available to establish dollar goals for total subcontracting, hence percentages were used.

C. Reported Subcontracting Accomplishments:

FY	Total Subcontracted	Small Business	Disadvantaged Business
83	$1.8M	$.96M (53%)	$.63M (35%)
82	$1.4M	$.79M (56%)	$.41M (30%)
81	$1.1M	$.51M (46%)	$.21M (19%)

Correction to written statement: Statistics used in Army's statement submitted for the record on 10 April 1984 were obtained from DOD computer generated report. In researching information to respond to these questions, we have discovered that an error was made in the computer generated report for FY 1983 subcontracting accomplishments for disadvantaged business concerns (understating Army's accomplishments). The Ayer contract accomplishments for FY 1983 for disadvantaged businesses of "$5,852,600" was picked up by the machine as "$585,260" (error in input data). Thus, Army testimony on page 5 for FY 1983 accomplishments for disadvantaged businesses shows as "$72.2M and $4.5%". To adjust for this error, the accomplishments should read "$77.5M and 4.8%". The same correction should also be made to Mr. Hall's verbal summary of the statement given at the hearing.

QUESTIONS OF HON. JOSEPH P. ADDABBO AND RESPONSES OF JAMES B. HALL, DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, DEPARTMENT OF THE ARMY

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, DC 20310

30 MAY 1984

Honorable Joseph P. Addabbo
House of Representatives
Washington, D.C. 20515

Dear Congressman:

This is in response to your letter of April 30, 1984, wherein you enclosed the questions addressed to Mr. James B. Hall, that you submitted for the record during the April 10, 1984 subcontracting hearings. Accordingly, please find attached a completed Insert for the Record which provides our response to these questions.

With respect to your last question requesting the subcontracting plans for all Army recruitment advertising contracts, please find enclosed copies of such plans for the two current contracts with advertising agencies. Also, please see our response for additional information on this question. As to the same requirement for the consolidated contracts, copies of the subcontracting plans will be provided to you under separate cover when they are received in this office from Army procuring commands.

Please understand that earlier submission of our response was not possible because we had to go out to all Army procuring commands, located throughout the country, to manually research and assemble the information since such data does not exist in any central statistical repository.

Sincerely,

I trust this is responsive to your request. Please call if I may be of help.

Jay Sculley

J. R. Sculley
Assistant Secretary of the Army
(Research, Development and Acquisition)

Attachments

INSERT FOR THE RECORD

☐	HOUSE SENATE	APPROPRIATIONS COMMITTEE	☐	HOUSE SENATE	ARMED SERVICES COMMITTEE	☒ HOUSE SENATE
HEARING DATE 10 Apr 84	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.			OTHER Small Business Committee

Answers to Mr. Addabbo's Questions

Mr. Addabbo: I understand that at Fort Monmouth, RCA is requesting an incentive award for exceeding their subcontracting goal to small business, however, less than 5% of the goal to small disadvantaged firms has been met. Congress never intended this type of performance to be rewarded. Do you personally believe that under these circumstances the payment of an incentive fee is warranted?

Mr. Hall: In Fiscal Year 1983, the prime contractor intended to subcontract 20 per cent of its work. The contractual goal of 85 per cent of that 20 per cent to small business was exceeded in that 99 per cent of all subcontracting was awarded to small business. Unfortunately, the 2 per cent goal for small disadvantaged business was not attained in the first year of contract performance. Small business concerns have underbid small disadvantaged businesses in many instances. We believe that the state of economy, until recently, is a significant influencing factor. We note a significant improvement in awards to disadvantaged firms in the second year of the contract.

RCA submitted a request for an incentive fee to the Contracting Officer pursuant to the contract. This request was forwarded to the Small and Disadvantaged Businesses Utilization Office, Fort Monmouth, for review, and will be evaluated by the Contracting Officer as to whether or not it is warranted.

Mr. Addabbo: How many consolidated contracts have you awarded over the past 2 years?

Mr. Hall: In order to provide an Army reply that is based on consistent information, we furnished some definitions to the procuring commands who did the research to respond to this inquiry. This guidance is set forth below in brackets.

> /For purposes of this reply: "consolidated" means a contract with a large business obtained as a result of commercial activity cost comparison for more than one function where parts thereof were previously performed by small or small disadvantaged business concerns. "Past 2 years" means "since April 1982"./

Accordingly, in this context, the Army has awarded five (5) consolidated contracts in this category.

Mr. Addabbo: How many consolidated contracts have been awarded since the issuance of revised OMB Circular A-76?

Mr. Hall: Definition was also provided for this question in a similar manner as above, and is set forth below in brackets.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER
☐	SENATE		☐	SENATE		☐	SENATE	
HEARING DATE		TRANSCRIPT PAGE NO.	LINE NO.		INSERT NO.			

/For purpose of this reply, revised circular was issued in Aug 1983./

Accordingly, in this context, the Army has awarded three (3) contracts in this category which are included in the total above.

Mr. Addabbo: With regard to each consolidated contract, please provide for the record:

(1) Dollar amount of each contact.

(2) Number and dollar amount of additive change orders issued to each contract.

(3) The contractor awarded the contract.

(4) The number of small and small disadvantaged businesses that performed the requirements prior to consolidation and, the dollar amount of those contracts.

(5) Subcontracting plan for each contract.

Mr. Hall: To respond to this multiple part question, we had to go out to all Army procuring commands to assemble the information because such data does not exist in any central statistical repository. Based on individual research done by the commands within limited time allotted, our responses are set forth below by each command, addressing subelements 1 through 4 of your question. As to subelement 5 of your question, a copy of subcontracting plan for each contract will be furnished to you under separate cover as soon as they are received in my office from the procuring commands located throughout the country.

Communications and Electronics Command, Ft. Monmouth, NJ.

1. Contract DAAB07-82-C-C057 awarded with current value of $24.5M.

2. 49 modifications issued for increased value of $1.3M.

3. Radio Corporation of America.

4. Nine small and small disadvantaged businesses performed part of this requirement, with value of those previous contracts at $4.7M. The current value of this consolidated contract also encompasses the cost of other functions previously performed by Government in-house personnel.

Communications Command, Ft. Huachuca, AZ.

1. Contract DAEA 18-83-C-0129 awarded with value of $2.1M.

2. None.

3. Pan American World Services International.

4. Two small and small disadvantaged business concerns performed part of this requirement, with value of those previous contracts at $360K. The consolidated contract also encompasses the cost of other functions previously performed by Government in-house personnel.

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☐	HOUSE	OTHER
☐	SENATE		☐	SENATE		☐	SENATE	

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	

Training and Doctrine Command.

Two contracts were awarded by this command. One at Ft. Eustis, VA as follows:

1. Contract DABT 57-83-C-0009 with value of $4.2M.

2. Two modifications issued for increased value of $375K, and one modification for decreased value of $1M.

3. Northrop Worldwide Aircraft Service, Inc.

4. Two small and disadvantaged concerns performed part of this requirement, with value of previous contracts at $957K. The consolidated contract also encompasses the cost of other functions previously performed by Government in-house personnel.

The second contract was awarded at Ft. Belvoir, VA on 27 April 1984, but notice to proceed has not been issued yet. Anticipatory start date for this contract is 1 Nov 84.

1. Contract DABT 56-84-C-0040 with value of $5.6M.

2. None.

3. Dynalectron Corp.

4. Four small and disadvantaged concerns performed part of this requirement, with value of previous contracts at $1.2M. This contract also encompasses the cost of other functions previously performed by Government in-house personnel.

Tank Automative Command, Warren, Michigan.

1. Contract DAAE 07-84-C-J001 awarded with value of $5.2M.

2. Eight modifications issued for increased value of $743K.

3. Serv-Air Inc.

4. Two small and small disadvantaged business concerns performed part of this requirement, with value of those previous contracts at $348K. The consolidated contract also encompasses the cost of other functions previously performed by Government in-house personnel.

Mr. Addabbo: For the record please provide the subcontracting plans for all of your recruitment advertising contracts.

Mr. Hall: The Army has two contracts with advertising agencies. The first contract is with N. W. Ayer & Co. for recruitment advertising which covers requirements for the U.S. Army (active duty, Reserve and Reserve Officer Training Corps), except Army National Guard. The second contract handled by the National Guard Bureau is with Needham, Harper & Steers, Inc. for recruitment advertising for the requirements of the Army National Guard and the Air National Guard.

These contracts are awarded for a one year term and contain annual options for two additional years. Historically, options have been exercised under both contracts.

INSERT FOR THE RECORD

☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE		☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE		☐ HOUSE ☐ SENATE	OTHER
HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.		INSERT NO.			

Subcontracting plans and goals for small business and disadvantaged business concerns are negotiated for each year. Copies of subcontracting plans will be furnished to you under separate cover.

SUBCONTRACTING PLANS
FOR
RECRUITMENT ADVERTISING CONTRACTS

FY84

Small Business and Small Disadvantaged
Business Subcontracting Plan

for

The U.S. Army Recruiting Assignment/
N W Ayer Incorporated

5amt612

References

Small Business Act and Small Business Investment Act of 1958 as amended by Public Law 95-507, 24 October 1978.

The office of Federal Procurement Policy - Policy letter 80-2 dated 29 April 1980 and Policy letter 78-1, January 1978.

Executive Office of the President - Executive Order 12138, 18 May 1979.

Subcontract Awards to Minority Business Enterprises, Section J-15 to N W Ayer - D 55-W contract MDA 903-79-D-0001.

Policy Letter, Executive Office of the President, Office of Federal Procurement Policy to Mr. Louis T. Hagopian, CEO of N W Ayer dated 24 October 1980.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

OCT 2[illegible] 1980

Mr. Louis T. Hagopian
Chief Executive Officer
N.W. Ayer & Son, Inc.
1345 Avenue of the Americas
New York, NY 10019

Dear Mr. Hagopian:

The present economic situation dictates increased efforts within the Federal Government to expand the marketplace and stimulate competition. The President has asked me to enlist the active cooperation of prime contractors, including major advertising agencies and advertisers to increase participation of small, minority and women-owned businesses in the Federal contracting process. Such action will help to increase competition and productivity, produce stronger and more viable businesses, create more employment opportunities, and in the long run, improve the quality of our lives.

As you know, the Small Business Act and the Small Business Investment Act of 1958 were amended by Public Law 95-507 on October 24, 1978. This amendment provides that small and small disadvantaged business concerns be given the maximum practicable opportunity to participate in the performance of Federal contracts. More specifically, it requires for all contracts over $500,000 ($1 million in the case of construction) that the prime contractor must submit a plan for subcontracting with small and small disadvantaged firms. The Office of Federal Procurement Policy issued Policy Letter 80-2 dated April 29, 1980 to implement these requirements of the statute. A copy of Public Law 95-507 and Policy Letter 80-2 are attached.

On May 18, 1978 the President issued Executive Order 12138 (copy attached) which established a Federal program for women business owners. To implement this program, OFPP Policy Letter 80-4 (copy attached) established a best efforts clause for inclusion in all contracts over $10,000 and a program requirement in all contracts over $500,000 ($1 million for construction) for subcontracting with women-owned business.

Goals have been established for each Federal agency for awards to small, minority and women-owned firms. The President has established a government-wide $3.8 billion goal for procurement from minority owned businesses and a $212 million goal for procurement from women-owned firms for fiscal year 1980. The goals for fiscal 1981 will be established by October 1, 1980. He has directed all Federal agencies to implement Public Law 95-507 and E.O. 12138 aggressively, and to expand the share of subcontracts going to small, minority and women-owned businesses.

One of the many efforts underway is the continued expansion of the scope of contracting opportunities for minority firms, beyond the traditional areas of food and janitorial services into areas such as high technology, energy, water treatment, commercial and cable TV, audiovisual production and advertising services. With respect to advertising, the Office of Federal Procurement Policy published Policy Letter 73-1 (copy attached) in January, 1978 prescribing procedures to increase advertising contracting opportunities for minority firms. This Policy Letter also provide a directory of such firms which has been updated regularly since that date.

If these programs are to succeed, it is essential that firms such as yours actively participate in making the promise and potential of the free enterprise system a reality for all Americans, regardless of race, color, sex or national origin. There are an increasing number of small disadvantaged firms and women-owned firms attempting to establish themselves in various phases of the advertising field. As a major participant in the advertising field and a government prime contractor, we ask that you make a special effort to make subcontract awards to small, minority and women-owned firms. In your subcontracting planning take advantage of every opportunity to use these firms for your advertising needs, including newspapers, magazines, commercial TV, cable TV, audiovisual and film production and other advertising.

The President strongly applauds the Supreme Court's recent decision upholding the constitutionality of the minority business set aside provision in the 1977 Local Public Works Act. It substantially strengthens Federal efforts to increase participation of minorities in our nation's free enterprise system and once again approves the use of affirmative action as a proper tool to remedy past acts of discrimination. The Court's recent decision firmly establishes that government efforts to assist minority business in obtaining economic equality are on solid constitutional grounds.

With your full support and cooperation the public and private sectors can work in concert to strengthen our nation's economy.

For further information regarding this effort, please do not hesitate to contact me at (202) 395-5802.

Sincerely,

Karen Hastie Williams

Karen Hastie Williams
Administrator

Enclosures
73-1,80-2,80-4
95-507, E.O. 12138

Reprinted from—Federal Register / Vol. 44, No. 100 / Tuesday, May 22, 1979 / Presidential Documents

Presidential Documents

Executive Order 12138 of May 18, 1979

Creating a National Women's Business Enterprise Policy and Prescribing Arrangements for Developing, Coordinating and Implementing a National Program for Women's Business Enterprise

In response to the findings of the Interagency Task Force on Women Business Owners and congressional findings that recognize:

1. the significant role which small business and women entrepreneurs can play in promoting full employment and balanced growth in our economy;

2. the many obstacles facing women entrepreneurs; and

3. the need to aid and stimulate women's business enterprise;

By the authority vested in me as President of the United States of America, in order to create a National Women's Business Enterprise Policy and to prescribe arrangements for developing, coordinating and implementing a national program for women's business enterprise, it is ordered as follows:

1–1. *Responsibilities of the Federal Departments and Agencies.*

1–101. Within the constraints of statutory authority and as otherwise permitted by law:

(a) Each department and agency of the Executive Branch shall take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system.

(b) Each department and agency shall take affirmative action in support of women's business enterprise in appropriate programs and activities including but not limited to:

(1) management, technical, financial and procurement assistance,

(2) business-related education, training, counseling and information dissemination, and

(3) procurement.

(c) Each department or agency empowered to extend Federal financial assistance to any program or activity shall issue regulations requiring the recipient of such assistance to take appropriate affirmative action in support of women's business enterprise and to prohibit actions or policies which discriminate against women's business enterprise on the ground of sex. For purposes of this subsection, Federal financial assistance means assistance extended by way of grant, cooperative agreement, loan or contract other than a contract of insurance or guaranty. These regulations shall prescribe sanctions for noncompliance. Unless otherwise specified by law, no agency sanctions shall be applied until the agency or department concerned has advised the appropriate person or persons of the failure to comply with its regulations and has determined that compliance cannot be secured by voluntary means.

1–102. For purposes of this Order, affirmative action may include, but is not limited to, creating or supporting new programs responsive to the special needs of women's business enterprise, establishing incentives to promote business or business-related opportunities for women's business enterprise, collecting and disseminating information in support of women's business enterprise, and insuring to women's business enterprise knowledge of and ready access to business-related services and resources. If, in implementing this Order, an agency undertakes to use or to require compliance with numerical set-asides, or similar measures, it shall state the purpose of such measure, and the measure shall be designed on the basis of pertinent factual findings of discrimination against women's business enterprise and the need for such measure.

1-103. In carrying out their responsibilities under Section 1-1, the departments and agencies shall consult the Department of Justice, and the Department of Justice shall provide legal guidance concerning these responsibilities.

1-2. *Establishment of the Interagency Committee on Women's Business Enterprise.*

1-201. To help insure that the actions ordered above are carried out in an effective manner, I hereby establish the Interagency Committee on Women's Business Enterprise (hereinafter called the Committee).

1-202. The Chairperson of the Committee (hereinafter called the Chairperson) shall be appointed by the President. The Chairperson shall be the presiding officer of the Committee and shall have such duties as prescribed in this Order or by the Committee in its rules of procedure. The Chairperson may also represent his or her department, agency or office on the Committee.

1-203. The Committee shall be composed of the Chairperson and other members appointed by the heads of departments and agencies from among high level policy-making officials. In making these appointments, the recommendations of the Chairperson shall be taken into consideration. The following departments and agencies and such other departments and agencies as the Chairperson shall select shall be members of the Committee: the Departments of Agriculture; Commerce; Defense; Energy; Health, Education, and Welfare; Housing and Urban Development; Interior; Justice; Labor; Transportation; Treasury; the Federal Trade Commission; General Services Administration; National Science Foundation; Office of Federal Procurement Policy; and the Small Business Administration. These members shall have a vote. Nonvoting members shall include the Executive Director of the Committee and at least one but no more than three representatives from the Executive Office of the President appointed by the President.

1-204. The Committee shall meet at least quarterly at the call of the Chairperson, and at such other times as may be determined to be useful according to the rules of procedure adopted by the Committee.

1-205. The Administrator of the Small Business Administration shall provide an Executive Director and adequate staff and administrative support for the Committee. The staff shall be located in the Office of the Chief Counsel for Advocacy of the Small Business Administration, or in such other office as may be established specifically to further the policies expressed herein. Nothing in this Section prohibits the use of other properly available funds and resources in support of the Committee.

1-3. *Functions of the Committee.* The Committee shall in a manner consistent with law:

1-301. Promote, coordinate and monitor the plans, programs and operations of the departments and agencies of the Executive Branch which may contribute to the establishment, preservation and strengthening of women's business enterprise. It may, as appropriate, develop comprehensive interagency plans and specific program goals for women's business enterprise with the cooperation of the departments and agencies.

1-302. Establish such policies, definitions, procedures and guidelines to govern the implementation, interpretation and application of this order, and generally perform such functions and take such steps as the Committee may deem to be necessary or appropriate to achieve the purposes and carry out the provisions hereof.

1-303. Promote the mobilization of activities and resources of State and local governments, business and trade associations, private industry, colleges and universities, foundations, professional organizations, and volunteer and other groups toward the growth of women's business enterprise, and facilitate the coordination of the efforts of these groups with those of the departments and agencies.

1-304. Make an annual assessment of the progress made in the Federal Government toward assisting women's business enterprise to enter the mainstream of business ownership and to provide recommendations for future actions to the President.

1-305. Convene and consult as necessary with persons inside and outside government to develop and promote new ideas concerning the development of women's business enterprise.

1-306. Consider the findings and recommendations of government and private sector investigations and studies of the problems of women entrepreneurs, and promote further research into such problems.

1-307. Design a comprehensive and innovative plan for a joint Federal and private sector effort to develop increased numbers of new women-owned businesses and larger and more successful women-owned businesses. The plan should set specific reasonable targets which can be achieved at reasonable and identifiable costs and should provide for the measurement of progress towards these targets at the end of two and five years. Related outcomes such as income and tax revenues generated, jobs created, new products and services introduced or new domestic or foreign markets created should also be projected and measured in relation to costs wherever possible. The Committee should submit the plan to the President for approval within six months of the effective date of this Order.

1-4. *Other Responsibilities of the Federal Departments and Agencies.*

1-401. The head of each department and agency shall designate a high level official to have the responsibility for the participation and cooperation of that department or agency in carrying out this Executive order. This person may be the same person who is the department or agency's representative to the Committee.

1-402. To the extent permitted by law, each department and agency upon request by the Chairperson shall furnish information, assistance and reports and otherwise cooperate with the Chairperson and the Committee in the performance of their functions hereunder. Each department or agency shall ensure that systematic data collection processes are capable of providing the Committee current data helpful in evaluating and promoting the efforts herein described.

1-403. The officials designated under Section 1-401, when so requested, shall review the policies and programs of the women's business enterprise program, and shall keep the Chairperson informed of proposed budget, plans and programs of their departments or agencies affecting women's business enterprise.

1-404. Each Federal department or agency, within constraints of law, shall continue current efforts to foster and promote women's business enterprise and to support the program herein set forth, and shall cooperate with the Chairperson and the Committee in increasing the total Federal effort.

1-5. *Reports.*

1-501. The Chairperson shall, promptly after the close of the fiscal year, submit to the President a full report of the activities of the Committee hereunder during the previous fiscal year. Further, the Chairperson shall, from time to time, submit to the President the Committee's recommendations for legislation or other action to promote the purposes of this Order.

1–502. Each Federal department and agency shall report to the Chairperson as hereinabove provided on a timely basis so that the Chairperson and the Committee can consider such reports for the Committee report to the President.

1–6. *Definitions.* For the purposes of this Order, the following definitions shall apply:

1–601. "Women-owned business" means a business that is at least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

1–602. "Women's business enterprise" means a woman-owned business or businesses or the efforts of a woman or women to establish, maintain or develop such a business or businesses.

1–603. Nothing in subsections 1–601 or 1–602 of this Section (1–6) should be construed to prohibit the use of other definitions of a woman-owned business or women's business enterprise by departments and agencies of the Executive Branch where other definitions are deemed reasonable and useful for any purpose not inconsistent with the purposes of this Order. Wherever feasible, departments and agencies should use the definition of a woman-owned business in subsection 1–601 above for monitoring performance with respect to women's business enterprise in order to assure comparability of data throughout the Federal Government.

1–7. *Construction.* Nothing in this Order shall be construed as limiting the meaning or effect of any existing Executive order.

Jimmy Carter

THE WHITE HOUSE,
May 18, 1979.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

JAN 31 1978

POLICY LETTER NO. 78-1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Increased Minority Business Participation
in Advertising Contracts

Recently, the President directed that purchases from minority firms be doubled over the next 2 years. Increasing the minority business share of media advertising is an important part of this effort. Black media organizations met in 1977 at the White House with Federal Government officials to discuss methods of achieving this increase. This Office has been cooperating with the Office of Telecommunications Policy and the White House staff in this effort.

As part of the national program to increase Federal Government minority business awards and in the interest of increasing awards to minority advertising agencies and other minority media organizations, the Departments and Agencies shall observe the following policies:

1. Contracts with advertising agencies shall not exceed 3 years, inclusive of options. This will increase competition, help to reduce single advertising agency control of contracts, and help enable minority advertising companies to obtain Government contracts.

2. In preparing requirements for procurement of advertising services, a formal review shall be conducted, at the earliest practicable date in the requirement cycle, to ascertain which portions of the requirement can be broken out and reserved for procurement solicitations on which minority and other small firms can compete. Large multimillion dollar awards to a single advertising agency should be discouraged in the interest of maximizing competition.

A list of minority advertising agencies and media outlets will be made available to Departments and Agencies at an early date, and each Department and Agency shall make every effort to apprise them of all contracting and subcontracting opportunities.

I request that all Departments and Agencies inform the Office of Federal Procurement Policy within 6 months of: (1) progress made in increasing advertising awards to minority firms; and (2) whether minority firms are available to provide the services required and, if they are available and are not being utilized, why they are not being utilized.

Les Fettig

Lester A. Fettig
Administrator

Definition of Terms, Certifications and Eligibility

Small Business firms owned and controlled by socially and economically disadvantaged which shall mean a small business.

Minority-owned is at least 51% of the stock owned by one or more socially and economically disadvantaged individuals. Their management and daily operation are controlled by one or more of such individuals.

Certification for the Small Business Administration under its section 8A code identifies ownership and eligibility under current government regulations.

Minority or disadvantaged persons includes Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans or other individuals found to be disadvantaged by the Small Business Administration under its section 8A code.

Business owners who certify that they are members of the named groups are to be considered socially and economically disadvantaged.

The phrase "Native American" means American Indians, Eskimos, Aleuts and native Hawaiians. The term "Asian-Pacific Americans" means U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. territories of the Pacific.

The Office of Minority Small Business and Capitol Ownership Development in SBA has the final authority to determine the eligibility of a firm.

The term "subcontract" means any agreement entered into by a Federal Government prime contractor or subcontractor calling for suppliers or services required for the performance of the original contract or subcontract.

Subcontracting Plan

THE FOLLOWING AGENCY POLICY, POSTURE, AND PROCEDURES ARE HEREBY ESTABLISHED

Remain committed to the Spirit and content of the Department of Defense directives and other governmental directives as cited in the reference section.

Continue reach out and evaluation of disadvantaged vendors for use within all our agency departments.

Strive to allocate purchases over as many disadvantaged subcontractors as possible.

Give disadvantaged subcontractors every opportunity to present their services and projects to our agency.

Place particular emphasis on women-owned firms who are establishing themselves in the advertising field in addition to the small, minority firms.

Encourage as many small transactions as possible.

With increased growth, interest and emphasis on Hispanic communications, the following agency posture, policy and procedures are established.

1) All recommendations for the Hispanic market will be submitted to our Hispanic subcontracting agency for recommendations and comments before publication and airing.

2) Because the younger Hispanic-American market tend to know more English than their parents and are required to speak English to qualify for the Army, the agency's efforts to reach the U.S. Hispanic market will use either English or Spanish, according to the target audience and medium selected.

With the increased growth of the Hispanic-American market, additional monies will be directed proportionately to reach this important market and their influencers.

These additional monies will not necessarily be reflected in our spending figures because many of the media which reaches the Hispanic audience is not minority owned.

Spending Goals

The spending objective for FY84 for small and small disadvantaged firms is 9% (floor) of the funds available for subcontracting as directed by Department of Defense.

For planning purposes, the agency has set a spending goal of 10.1% of the total.

The projected funds available for subcontracting by the agency is $50,200,000.

FY84

U.S. ARMY MINORITY SPENDING GOAL

	RESERVE	USARASP	ROTC	TOTAL
FY84 Subcontracting Funds	$12,134.8	47,845.3	$2,827.2	$62,807.3
9% Spending Objective (Floor on Total)	1,092.1	4,306.1	254.4	5,652.7
Planning Objective (10% of Total)	1,213.5	4,784.5	282.7	6,280.7
How it breaks down				
- Media	1,080.0	4,258.2	251.6	5,589.8
- Non-Media	133.5	526.3	31.1	690.9

mem218

FY84

Proposed Spending in Media and Non-Media Categories

Media	4,426.0
Non-Media	644.0
Total Planning Figure	5,070.2

Agency Support Services

The following are the agency departments involved in performing the preceding services:

Account Management
Creative Services
Marketing Services
Research
Direct Response
Ayer Design
Public Affairs
Accounting
Traffic
Production
Art Buying

Film Productions
T.V. Productions
Radio Productions
Audio/Visual Services

Field Force

An Ayer Field Force assigned to Regional Recruiting Commanders and ROTC Regions involved in small business and disadvantaged small business are located across the country.

Goals

Total dollars planned to be subcontracted

$62,807,300

Total dollars planned to be subcontracted to small business

$37,684,380

Total dollars planned to be subcontracted to small disadvantaged business

$ 6,280,700

Product and Services Area

The product is the development and placement of Recruiting Advertising and Recruiting Publicity for the U.S. Army. These services include: Media selection and placement of ads in newspapers, magazines and other target publications, radio and television commercials, cable TV, audio/visual aids, film production, collateral displays, brochures, posters, outdoor displays and direct mail services.

In addition, the development of marketing concepts, for interviews and basic advertising research. Recruiting Publicity would include the development and placement of favorable stories on our opportunities and successful people in today's Army.

These activities also include promotional events and media contracts with the various national magazines and television, radio networks.

Allied Services include:

- Photography
- Type-setting
- Retouching of photos
- Release film & TV prints
- Kit collating
- Premiums

Responsibilities of the Program

The following areas of responsibility have been established to administer the program.

Lamar LeMonte - Senior V.P. and overall Management Supervisor on the Army Recruiting Assignment.

duties - to insure that we comply with all the directives of Department of Defense and other governmental agencies.

William P. Kelly - V.P. and Account Supervisor - ROTC, Program Manager

duties - responsible to Lamar LeMonte for the daily operation of the program.

1) coordinating and monitoring all aspects of the program to include:
2) reaching out for new suppliers; interviewing and corresponding with them for present and future use.
3) maintaining an "open door" relationship with all small business and disadvantaged businesses.
4) maintaining liaison with the various organizations who will provide a source of these suppliers.

Joseph Baldi - Senior Account Executive - ROTC - Assistant Program Manager

duties - responsible to William P. Kelly for daily coordination of the program as outlined above in the daily operations

Dave Clark - V.P. Account Supervisor on Active Recruiting Account

duties - responsible to Lamar LeMonte for the monitoring of the spending levels on all the assignments as it pertains to this program.

Joe Petito - Account Supervisor, Contracts and Administration

duties - 1) administration and reporting of the program
2) maintaining liaison with Defense Supply Service, Washington, D.C.

Mary Ann Venditto - Budget Administrator

duties - responsible to Joe Petito for performing functions outlined above in the daily operations.

USAREC will be responsible for monitoring the local payment for recording minority spending in the field. This information will be forwarded to the agency for inclusion in the quarterly report to DA.

Efforts of Program Manager

Each month, the program manager requires the heads of each buying activity to submit a report reflecting the following:

- Number of small business and small business disadvantaged firms contacted during the past month.
- Number of small business contacts and disadvantaged contacts who had received awards during the past month.
- Evaluation of various performances. In addition, an explanation and justification of an award of a job to other than small business/small business disadvantaged is surfaced at the monthly meeting. The program manager must be satisfied that every effort was made and every opportunity was given to these small/disadvantaged groups.

In the daily operations, the Program Manager does:

- Insure proper records are kept by all divisions.
- Maintain contacts with minority and small firms.
- Motivate and evaluate activities to insure compliance.
- Provide guidance to all activities to insure the success of the program.

Utilization of Small Business Concern Clause

Each subcontract from this agency will include a clause directing, whenever possible and necessary, to further subcontract to small business and small disadvantaged businesses thus increasing the subcontract opportunities.

The review of the subcontracts' plan before execution and a statement of assurance from the subcontractor will be required and monitored by the Chief, Contract Administrator.

Records

Each buying activity has been directed to maintain records of the Agency's policies regarding the program along with the source lists and allied information.

Cooperation with Government Agencies

N W Ayer will cooperate and submit periodic reports as required to the designated government agencies.

Reports on Defense Subcontracting Program Quarterly Report of Commitments To Small, Large and Minority Business Concerns

This agency will submit quarterly cumulative reports to the Department of the Army, Defense Supply Service, Washington, D.C., in form 295 (approved OMB No. 3090-0053). Sample copy attached.

SUMMARY SUBCONTRACT REPORT *(Report to be submitted quarterly. See Instructions on reverse) (Type or Print)*	FORM APPROVED OMB NO. 3090-0053

1. CONTRACTING AGENCY		2. ADMINISTERING AGENCY	
F LAST GOVERNMENT REVIEW	4. REVIEWING AGENCY	5. DUNS NO.	6. REPORT SUBMITTED AS: ☐ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BO
7. CORPORATION, COMPANY, OR SUBDIVISION COVERED *(Name, Address, ZIP Code)*		8. MAJOR PRODUCTS OR SERVICE LINES: a. b. c.	

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 ____ through ______________________, 19 ____

COMMITMENTS	CURRENT FISCAL YEAR *(To date)*		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCEN
9. TOTAL *(Sum of a and b)*		100		100
a. SMALL BUSINESS CONCERNS				
b. LARGE BUSINESS CONCERNS				
10. SMALL DISADVANTAGED BUSINESS CONCERNS *($ & % of 9)*				
11. LABOR SURPLUS AREA CONCERNS *($ & % of 9)*				

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
RACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
TIVE CONTRACTS					
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS					
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS					
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS					
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)*

15. NAME AND TITLE OF LIAISON OFFICER	SIGNATURE	DATE	TELEPHONE NO. *(and Area Code)*
16. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

Outreach Efforts for FY84

Continued efforts will be conducted to locate and identify qualified Small Business and Small Business disadvantaged firms during the coming year.

Continual sources for leads are:

National Minority Purchasing Council
Washington, D.C.

Interagency Council for Minority Business Enterprise
Washington, D.C.

U.S. Small Business Administration
Washington, D.C.

U.S. Small Business Administration
New York Regional Office
New York City

National Business League
Washington, D.C.

These contacts will be expanded during the year as women associations and minority enterprises are identified as a source use.

In addition, the agency has subscribed to source 1983 publications such as:

National Minority Business Campaign which contains over 3,400 minority firms and their sources.

Minority/Ethnic Media Trade which provides a list of all broadcast and print minority firms in this country.

Current Minority Subcontract Agencies

(Active) Sosa Associates (Hispanic Market)

(Reserve) Lockhart & Pettus (Black Market)

(ROTC) Lockhart & Pettus (Black Market)

U.S. ARMY ACTIVE
MINORITY MEDIA SPENDING
OCTOBER 1982 - SEPTEMBER 1983

	OND '82	JFM '83	AMJ '83	JAS '83	TOTAL FY '83
BLACK					
BROADCAST					
SYNDICATED T.V	172.5	174.4	193.7	55.2	595.8
CABLE T.V	-	30.2	20.9	9.3	60.4
NETWORK RADIO	281.2	235.5	357.6	375.9	1,250.2
SPOT RADIO	91.9	95.0	87.3	31.3	305.5
PRINT	153.9	133.5	255.0	125.9	668.3
TOTAL	699.5	668.6	914.5	597.6	2,880.2
HISPANIC					
BROADCAST					
SYNDICATED T.V	39.7	17.2	42.1	12.2	111.2
CABLE T.V	-	-	-	-	
SPOT T.V	43.7	35.1	19.5	15.6	113.9
SAN JUAN DRC	31.5	42.0	31.0	21.5	126.0
NETWORK RADIO	144.6	23.4	66.3	49.7	284.0
SPOT RADIO	7.9	14.6	18.0	0.0	40.5
PRINT	9.3	12.9	24.8	16.1	63.1
TOTAL	276.7	145.2	201.7	123.1	746.7
GRAND TOTAL	976.2	813.8	1,116.2	720.7	3,626.9

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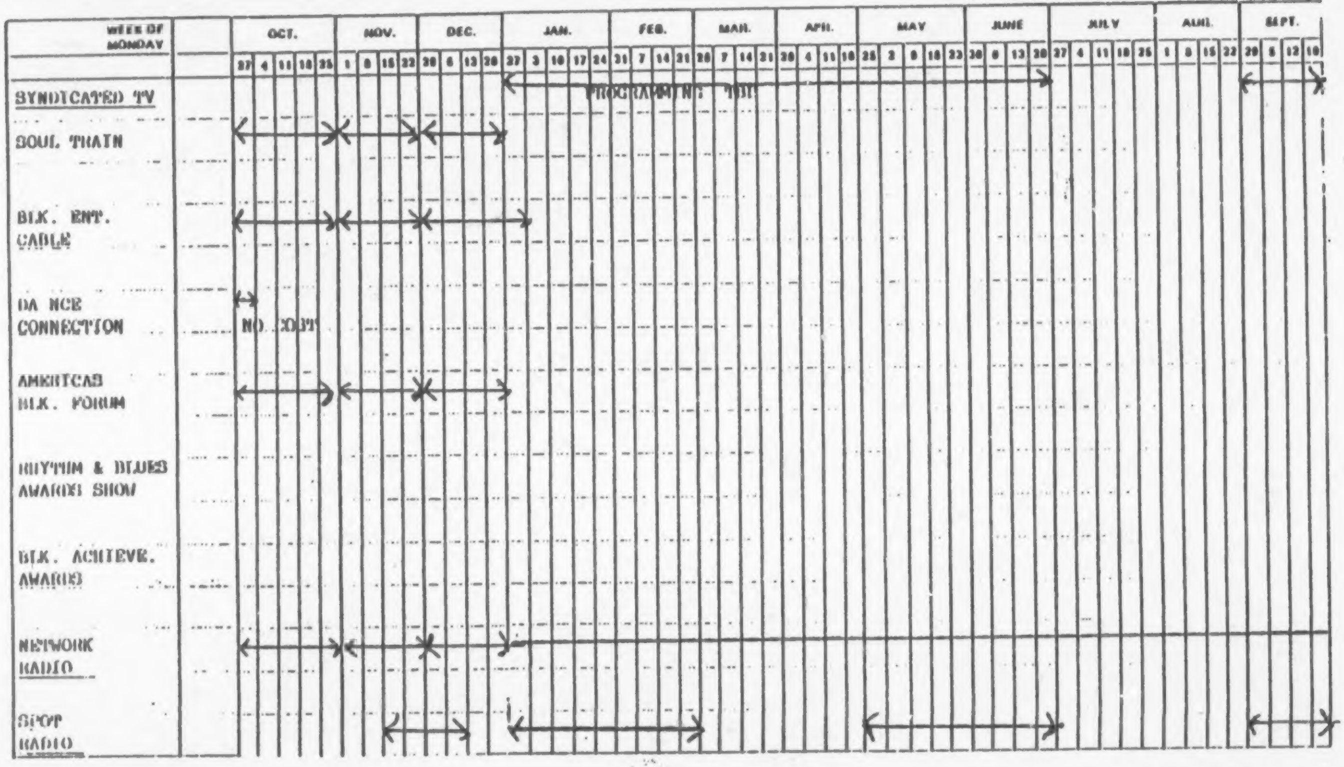
1982/1983

U.S. ARMY ACTIVE
FY '83
BLACK BROADCAST SCHEDULE

NWAyer Incorporated

DATE 11/29/82

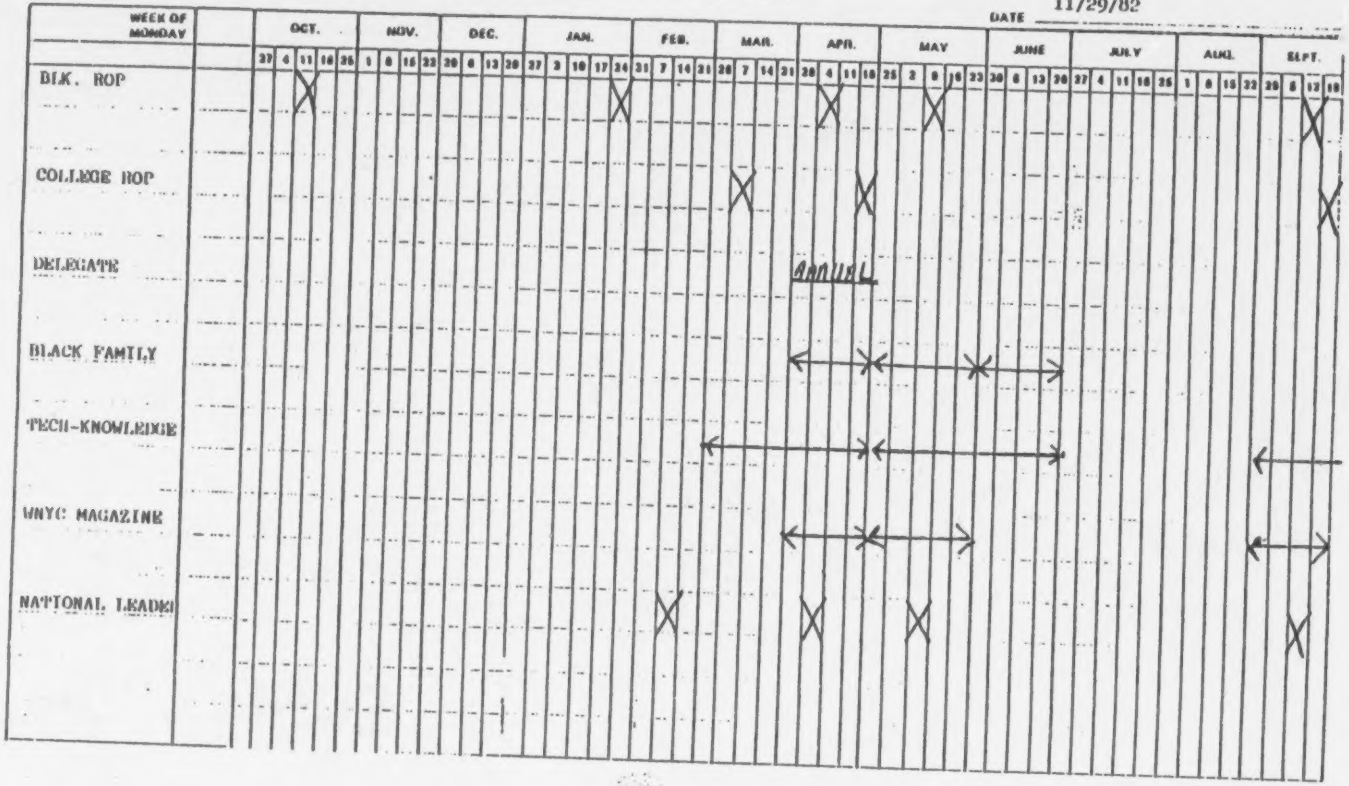


1982/1983

U.S. ARMY ACTIVE
FY '83
BLACK PRINT SCHEDULE

NWAyer Incorporated

DATE 11/29/82

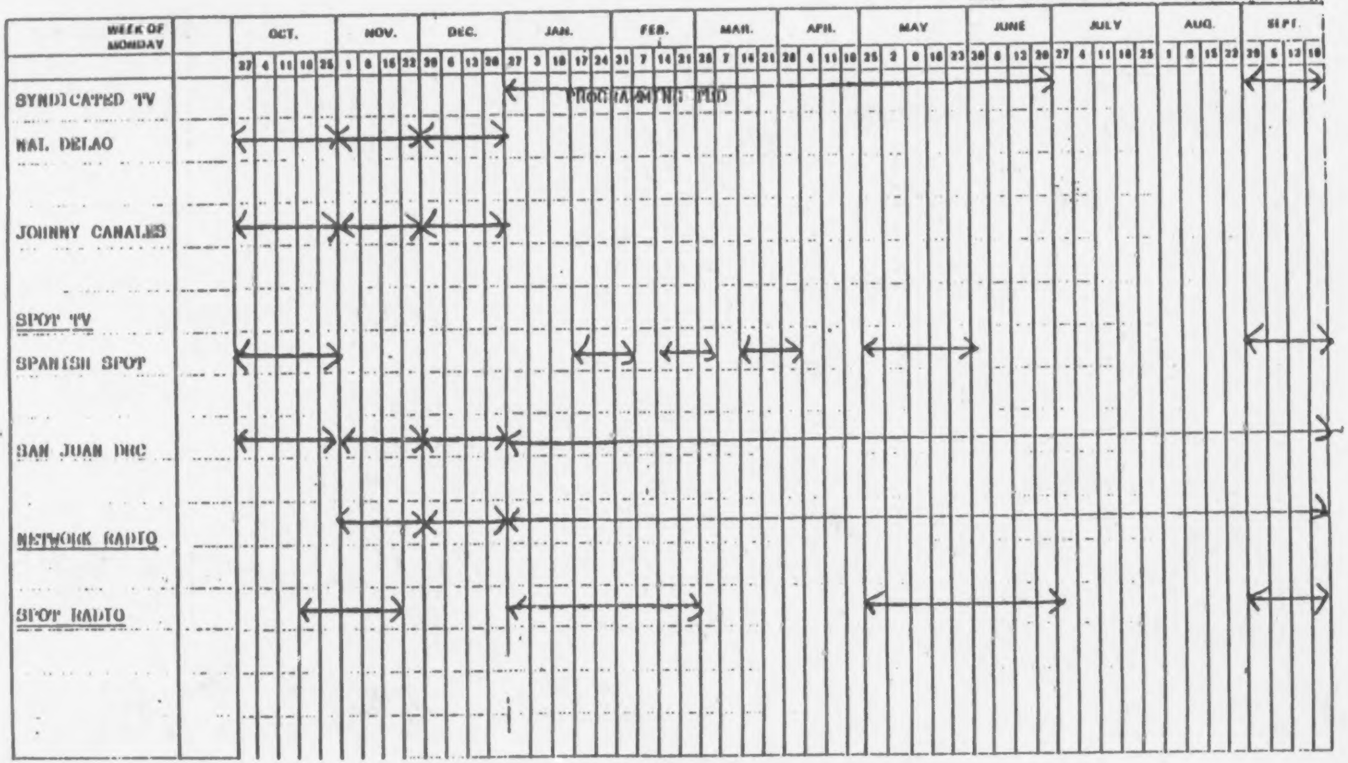

WEEK OF MONDAY
OCT. 27 4 11 18 25
NOV. 1 8 15 22
DEC. 29 6 13 20
JAN. 27 3 10 17 24
FEB. 31 7 14 21
MAR. 28 7 14 21
APR. 28 4 11 18
MAY 25 2 9 16 23
JUNE 30 6 13 20
JULY 27 4 11 18 25
AUG. 1 8 15 22
SEPT. 29 5 12 19
BLK. ROP
COLLEGE ROP
DELEGATE
ANNUAL
BLACK FAMILY
TECH-KNOWLEDGE
WNYC MAGAZINE
NATIONAL LEADE

1982/1983.

U.S. ARMY ACTIVE
FY '83
HISPANIC BROADCAST SCHEDULE

NWAyer Incorporated

DATE 11/29/82

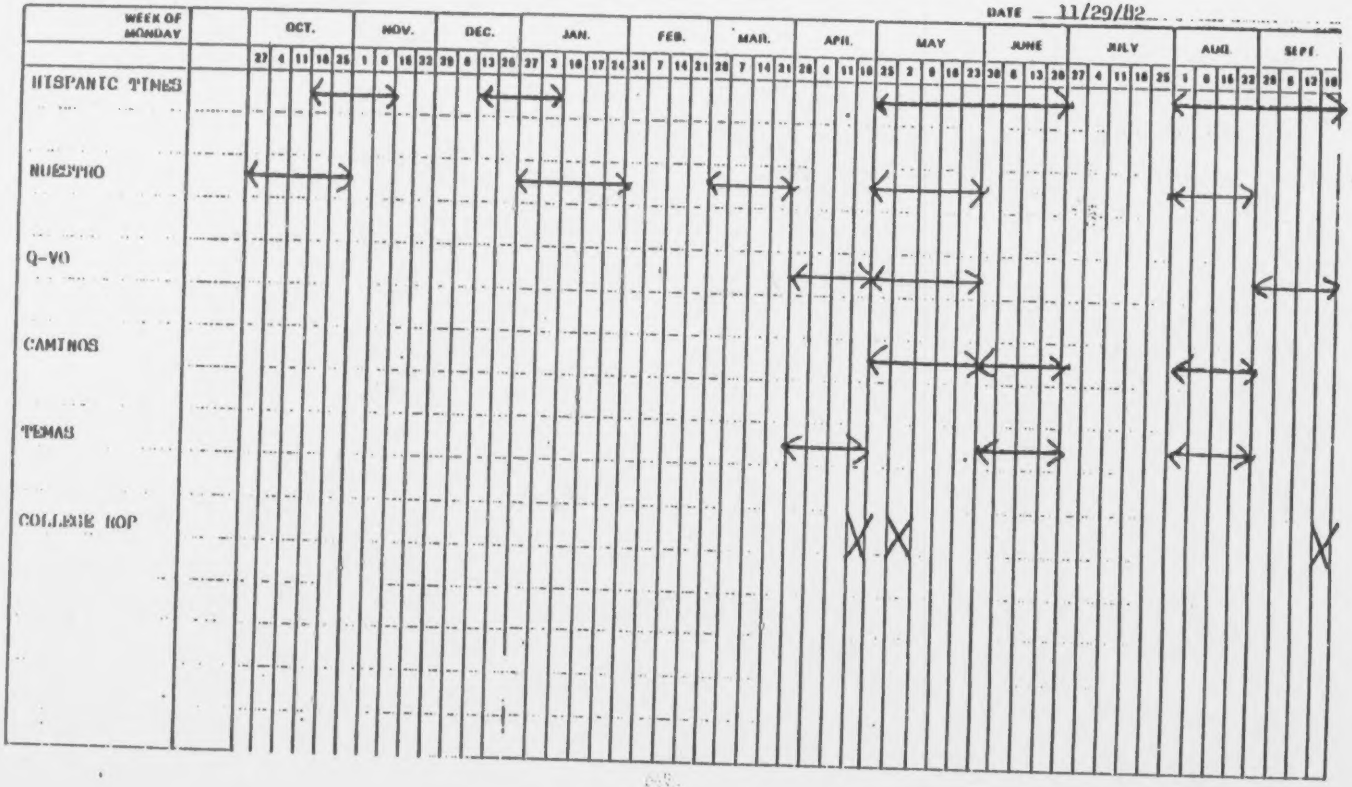


1982/1983

U.S. ARMY ACTIVE
FY '83
HISPANIC PRINT SCHEDULE

NWAyer Incorporated

DATE 11/29/82



11/29/82

U.S. ARMY RESERVE
MINORITY MEDIA SPENDING
OCTOBER 1982 - SEPTEMBER 1983

BLACK	OND '82	JFM '83	AMJ '83	JAS '83	TOTAL YEAR
BROADCAST					
SPOT RADIO	-	-	138.4	-	138.4
PRINT	46.2	43.1	43.1	-	132.4
TOTAL	46.2	43.1	181.5	-	270.8
HISPANIC					
BROADCAST					
NETWORK RADIO	-	-	148.4	-	148.4
PRINT	1.6	13.8	13.8	-	29.2
TOTAL	1.6	13.8	162.2	-	177.6
GRAND TOTAL	47.8	56.9	343.7	-	448.4

1982/1983

NWAyer Incorporated

U.S. ARMY RESERVE
MINORITY BROADCAST SCHEDULE

DATE 11/29/82

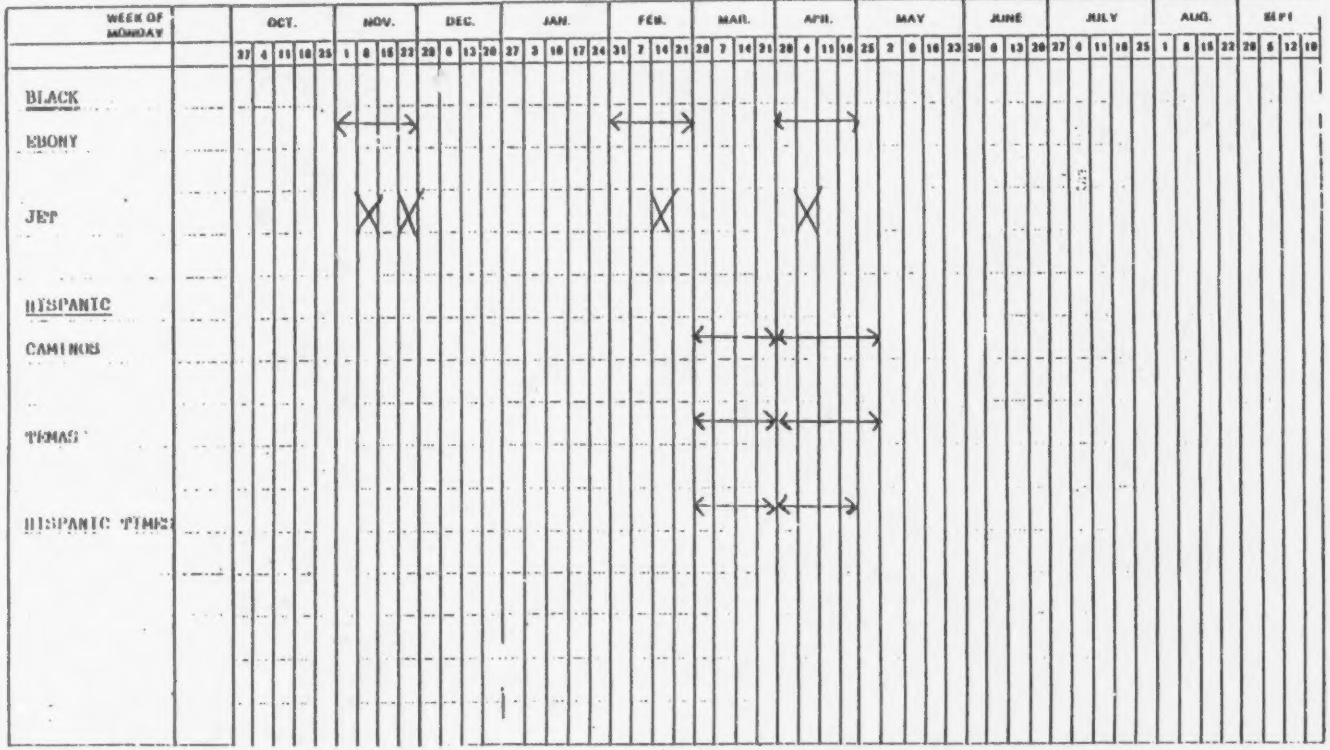
WEEK OF MONDAY		OCT.					NOV.				DEC.				JAN.					FEB.				MAR.				APR.				MAY					JUNE				JULY					AUG.				SEPT.			
		27	4	11	18	25	1	8	15	22	29	6	13	20	27	3	10	17	24	31	7	14	21	28	7	14	21	28	4	11	18	25	2	9	16	23	30	6	13	20	27	4	11	18	25	1	8	15	22	29	5	12	19
BLACK																																																					
SPOT RADIO																							←	—	—	—	→																										
HISPANIC																																																					
NETWORK RADIO																							←	—	—	—	→																										

1982/1983

NWAyer Incorporated

U.S. ARMY RESERVE
MINORITY PRINT SCHEDULE

DATE 11/29/82



11/29/82

U.S. ARMY ROTC
MINORITY MEDIA SPENDING
OCTOBER 1982 - SEPTEMBER 1983

National Print	OND '82	JFM '83	AMJ '83	JAS '83	TOTAL FY '83
Black Print	$49.7	$43.0	$5.1	$40.8	$138.6
Hispanic Print	3.0	8.5	3.4	14.3	29.2
Total Print	52.7	51.5	8.5	55.1	167.8
HBC					
Newspapers	-	-	-	$43.3	43.3
Spot Radio	10.1	-	-	129.7	139.8
Total HBC	10.1	-	-	173.0	183.1
Grand Total	62.9	51.5	8.5	228.1	350.9

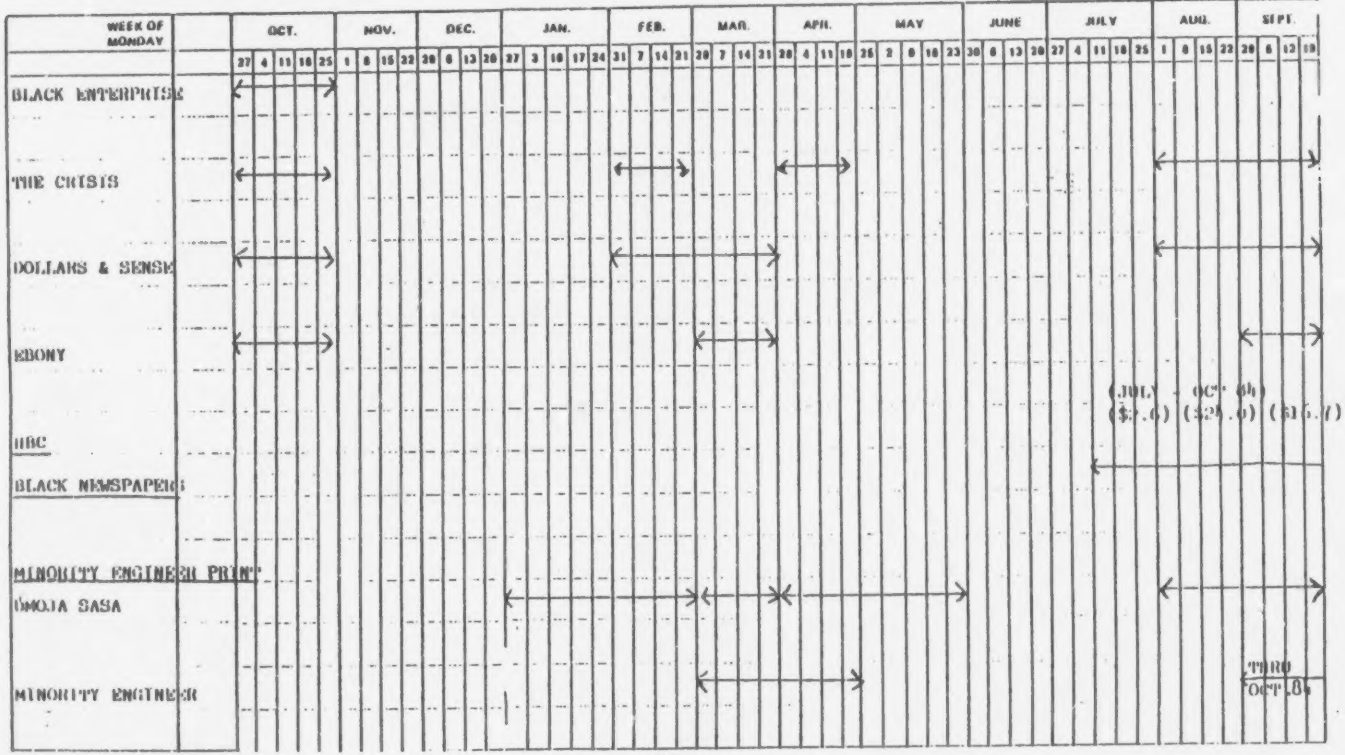
1982 1983

U.S. ARMY ROTC
FY '83
BLACK PRINT

NWAyer Incorporated

SCHEDULE

DATE 11/29/82



1982 1983

U.S. ARMY ROTC
FY '83
BLACK BROADCAST SCHEDULE

NWAyer Incorporated

DATE 11/29/82

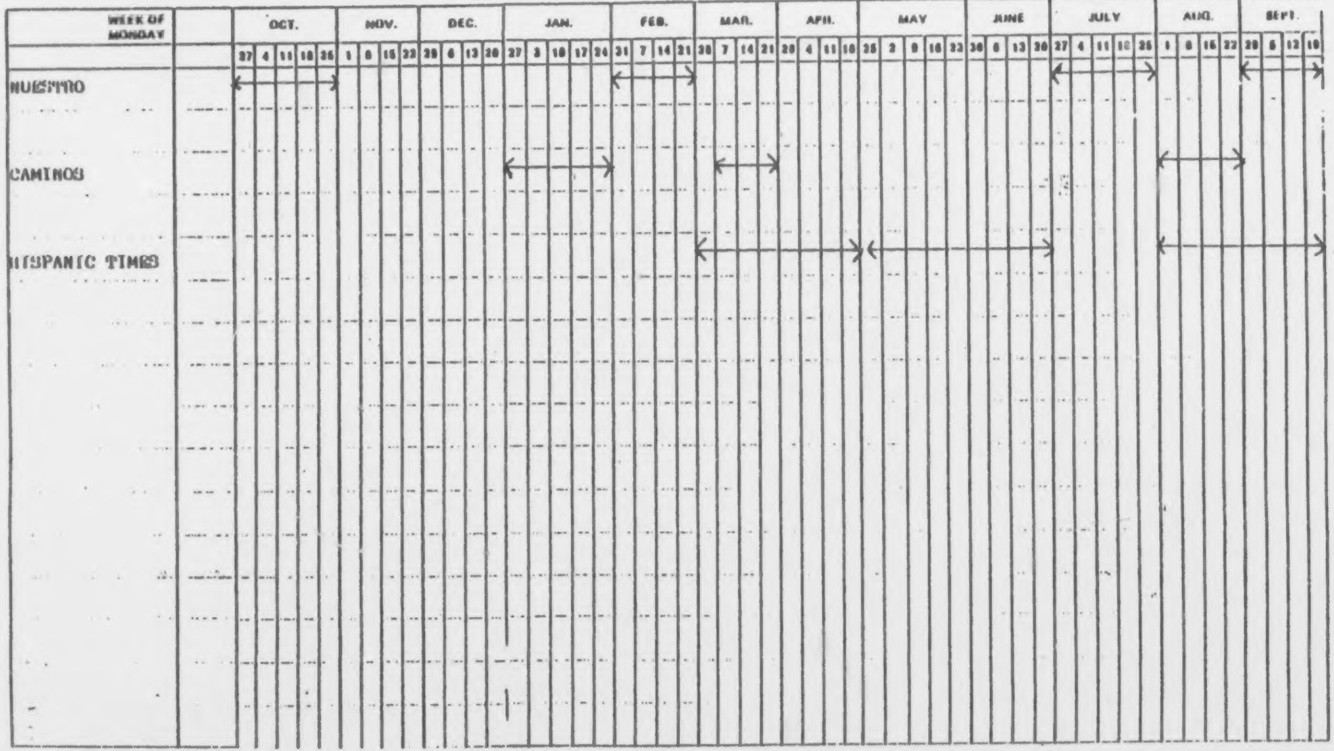
WEEK OF MONDAY		OCT.					NOV.				DEC.				JAN.					FEB.				MAR.				APR.				MAY					JUNE				JULY					AUG.				SEPT.			
		27	4	11	18	25	1	8	15	22	29	6	13	20	27	3	10	17	24	31	7	14	21	28	7	14	21	28	4	11	18	25	2	9	16	23	30	6	13	20	27	4	11	18	25	1	8	15	22	29	5	12	19
HBC RADIO		←				→																																			←												→

1982 1983

U.S. ARMY ROTC
FY '83
HISPANIC PRINT SCHEDULE

NWAyer Incorporated

DATE 11/29/82



SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

Submitted by:

Needham, Harper & Steers Advertising Inc.
8300 Greensboro Drive, Suite 1200
McLean, Virginia 22102

In Response to:

National Guard Bureau Advertising Contract
Solicitation No. DAHA 90-83-R-0001

September 27, 1983

accepted on 29 Sept 1983
Ltc Monahan

ANGSC/JAC 29 Sep 83

MEMORANDUM FOR RECORD

SUBJECT: SADBU Plan

1. On 22 Sep the undersigned and Mr. Jim Williams commenced negotiations on the SADBU plan.

2. The initial draft was completed on 27 September. After revision, the final document was accepted by the undersigned on 29 Sep 1983.

3. The SADBU plan complies with all of the requirements set forth in DAR 7-104.14(b).

JOSEPH V. MONACHINO
LT COL, USAF
Contracting Officer

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

STATEMENT OF PURPOSE

As the incumbent offeror for the National Guard Bureau Advertising contract, Needham, Harper & Steers Advertising Inc. understands explicitly the government's requirement that the successful contractor provide the maximum practicable opportunity for small business and small disadvantaged business concerns to participate in the performance of the contract.

We are committed, as a corporate policy, to compliance with both the letter and the spirit of government regulation dealing with the issue of small business and small disadvantaged business concerns.

Our subcontracting plan which follows details our specific commitments in this regard.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

DEFINITIONS

I. SMALL BUSINESS CONCERN

A concern and its affiliates having average annual receipts for the preceding three years not exceeding $10,000,000 dollars is classified as a Small Business Concern.

II. SMALL DISADVANTAGED BUSINESS CONCERN

The term "small business concern owned and controlled by socially and economically disadvantaged individuals" means a small business concern:

1. that is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

2. whose management and daily business operations are controlled by one or more such individuals.

3. The offeror presumes that socially and economically disadvanted individuals include Black Americans, Hispanic Americans, Native Americans (i.e. American Indians, Eskimos, Aleuts, and Native Hawaiians), Asian-Pacific Americans (i.e. U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, and Taiwan), and other minorities or any other individuals found to be disadvantaged by the Small Business Administration pursuant to Section 8 (a) of the Small Business Act.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

I. OFFEROR'S BUDGETARY ALLOCATION GOALS

Historical Perspective

By way of historical perspective NH&S has during the last four fiscal year quarters (4th Qtr. FY'82, 1st 3 Qtrs. 1983) subcontracted $1,670.040 to outside suppliers. $1,429,371 or 86% of these subcontracted monies have gone to concerns classified as small businesses. 11% or $181,233 have gone to small disadvantaged businesses.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

1984 SUBCONTRACTING GOALS FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS.

A. Fund Allocation

Anticipated FY84 Advertising Budget	$4,600,000
Anticipated non-subcontracted costs incl. o contracted media purchase o agency compensation o travel o other	2,900,000
Amounts available for subcontracting	$1,700,000

B. Subcontracting Goals

Total Subcontracting Funds	$1,700,000	100%
Small Business Concerns	$ 952,000	56%
Large Business Concerns	$ 748,000	44%
Small Disadvantaged Business Concerns	$ 306,000	18%

C. Principal Supply Areas to be Subcontracted

NH&S will consider usage of subcontracting for all supply and service areas generally considered to be outside the direct purview of a full-service advertising agency. Examples of such suppliers include but are not limited to:

1. film production houses
2. photographers
3. special audience marketing firms
4. printers, engravers, color separators
5. research companies
6. premium suppliers
7. music houses
8. recording studios
9. sales promotion agencies
10. public relations agencies

Small Business and Small Disadvantaged Business concerns will be considered as to their practicality for all subcontracting work. This includes particularly local suppliers of print and broadcast production materials and facilities; and special audience marketing firms.

D. Offeror's Statement as to Methodology Used in Developing Subcontracting Goals

The goals established by NH&S in this plan are based on actual experience in FY82 and 83 and estimated future requirements where small business and small disadvantaged business subcontractors might be utilized.

E. Offeror's Position on Use of Overhead and Indirect Costs in Establishing Subcontracting Goals

NH&S does not use indirect or overhead costs as an element in establishing goals in the subcontracting plan.

F. Offeror's Statement as to Methodology used for Solicitation Purposes

NH&S selection of subcontractors is based primarily on company source lists developed through historical data and personal contact. With the awarding of the contract agency will acquire current source lists of subcontractors from the Small Business Administration, the National Minority Purchasing Council Vendor Information Service and the U.S. Department of Commerce. In addition agency will screen trade associations to identify other potential small and small disadvantaged subcontractors.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

II. OFFEROR'S DESIGNATION OF SUBCONTRACTING ADMINISTRATOR

The individual within the employ of the offeror who will administer the subcontracting plan is Ronald C. Owens. Mr. Owens is an account supervisor on the National Guard Account and has been the incumbent offeror's subcontracting administrator since FY81. Mr. Owens has been employed by Needham, Harper & Steers since 1980.

Mr. Owens' duties will include day to day management of agency resources to insure subcontracting goals are met. Further he will insure that small business and small and disadvantaged business will have an equitable opportunity to compete for subcontracts. He will be responsible for issuance of whatever periodic reports, studies and surveys may be required by the contracting agency or SBA.

Additionally he will oversee maintenance of all agency records, source material and guides which pertain to the subcontracting plan. He will issue whatever periodic company policy statements are appropriate and will serve as primary agency interface with all small business and small disadvantaged business concerns soliciting NGB subcontracts.

In addition to the above mentioned duties Mr. Owens will also continue to serve as primary agency account management contact to the Army National Guard project officers.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

III. OFFEROR'S DESCRIPTION OF EFFORTS TO ASSURE EQUITABLE OPPORTUNITY FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTS

The offeror will make the folowing efforts to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts:

- Designate an experienced account management employee who will administer the small business and small disadvantaged business program.
- Establish a source list of small business and small disadvantaged business concerns from which NH&S will select subcontractors. NH&S will use other appropriate source list suppliers as needed.
- Provide for adequate and timely consideration of the availability and potential of minority business in all subcontracting.
- Maintain records providing compliance with the stated regulations.
- Assure that minority businesses will have an equitable opportunity to compete by arranging solicitation time, quantities, specifications, and delivery schedules so as to facilitate their participation and by assisting them in preparing bids, obtaining bonds, and becoming customers.
- Submit quarterly reports proving compliance in a form and manner required by NGB (and whatever other reports may be required by the contracting agency or the SBA).

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

IV. UTILIZATION OF SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS CLAUSE

Needham, Harper & Steers will include the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns in all subcontracts which offer further subcontracting opportunities in the United States and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

V. PERIODIC REPORT SUBMISSIONS

Needham, Harper & Steers will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

VI. • TYPES OF RECORDS OFFEROR WILL MAINTAIN

Needham, Harper & Steers will maintain the following types of records to demonstrate that procedures which have been adopted to comply with the requirements and goals set forth in the plan:

A. A source list of small business and small disadvantaged business concerns utilized by NH&S/Washington.

- o Small Business Subcontracting Directory - SBA
- o Small/Small Disadvantaged Marketing and Advertising Businesses

B List of organizations contacted for small and small disadvantaged business sources.

- o Small Business Administration - Publications Office and Technology Assistance Division
- o Directorate of Small and Disadvantaged Business utilization, DoD

C. On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (i) whether small business was solicited and if not, why not; (ii) whether small disadvantaged business was solicited and if not, why not; and (iii) reasons for the failure of responding small businesses to receive the subcontract award.

1. Lead Fulfillment Program

Amount - $171,500.00
Awarded to - Listfax Computer Sciences Inc.

Small business and small disadvantaged businesses were screened however the job was awarded to LCSI due to their ability to fulfill the technical requirements of the task order.

2. Literature Racks

Amount - $123,750.00
Awarded to - Display Communications

Small disadvantaged firms were solicited. However, due to the technical nature of the job specifications there were no firms capable of fulfilling the requirement. Display Communications is a small business.

3. ARNG Display Units

   Amount - $106,745.16
   Awarded to - Extraversion Inc.

   Small disadvantaged firms contacted for bid could provide software (graphics) but not the hardware (display units). Extraversion Inc. is a small business.

D. Regular and timely contact with the SBA for current status of small business and small disadvantaged business concerns. Agency contacts the SBA on a quarterly basis.

E. An ongoing status report identifying small business and small disadvantaged business concerns subcontractors utilized, and the dollar amount subcontracted.

Small businesses (Major subcontractors with in excess of $1,000 in NGB funding during 12 month period ending June 30, 1983)	$ Amount
Broadcast Advertisers Report	$ 5,805.89
Extraversion	192,008.73
Livingston Productions	54,194.66
Baltimore Research	2,790.00
So. California Inter. Service	2,600.00
Noble	3,200.00
Video 44	1,308.50
Soundwave	10,933.35
Burgess Blevins	46,400.00
Klaff/Weinstein	15,635.23
The Production Co.	40,986.00
Commonwealth Films	60,269.09
Lamination Service	9,000.00
Singer & Co.	11,392.94
Schulman, Berry, Kramer	54,977.00
Harlowe	6,892.61
Phil's Photo	1,160.85
Old Mill Frame Works	1,280.00
Tony Brown Productions	2,000.00
Rayline	6,345.00
NAPS	13,500.00
Creative Craft	4,792.50
AJ Enterprises	6,615.00
Frank & Jeff Lavaty	18,000.00
Design Ink	5,505.00
Uniformed Services	9,460.00
Pohuski	35,802.00

Small businesses	$ Amount
Geo. Rosenberg	80,000.00
Said, Inc.	2,535.00
EAA	1,310.00
Don Troiani	8,000.00
Richard Even	1,200.00
Image Matrix	7,066.50
Broadway	1,747.00
Chessler	1,800.00
Freelance Researchers	4,466.50
Aerofix	4,142.00
Deltacom	3,921.50
BES	44,451.84
Washington House	1,939.00
Cameragraphics	4,731.50
Type Foundry	1,586.70
Steve Longley	43,311.00
Display Communications	184,375.00
Woodfin Camp	1,200.00

Small Disadvantaged Businesses	
EPC	121,013.00
D. Parke Gibson	35,614.86
Minority Media	10,000.00

F. Submit quarterly reports proving compliance in a form and manner required by the NGB.

G. Records which detail internal activities to educate employees to insure compliance with plan. Agency periodically refreshes requirements of small business plan with employees during staff meetings.

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

VII. STEPS OFFEROR WILL TAKE TO IMPLEMENT PLAN

In order to implement this plan, NH&S will:

1. Conduct periodic company-wide seminars stating support for effort and assign specific responsibilities regarding requirement of clause. The account group staff and other agency purchasing agents which have primary responsibility for bidding subcontracting, have routinely reviewed the small business and small disadvantaged business requirements.

2. NH&S will demonstrate continuing management interest and involvement in support of the plan by establishing quarterly reviews of the progress of the implementation and compliance of the plan.

   As stated above, agency has routinely reviewed subcontracting bidding requirements and has submitted the required reports to DECAS on a quarterly basis.

3. NH&S will make the training and motivating of NH&S personnel regarding the support of small business and small disadvantaged business concerns part of the ongoing agency training program.

4. NH&S will assist small business and small disadvantaged business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns. Where NH&S' lists of potential small business and disadvantaged subcontractors is excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.

   Agency insures that all bidders have sufficient time, all necessary specifications and end dates to facilitate their bidding on any appropriate subcontracting. Agency also insures that all appropriate bidders have an opportunity to bid on subcontracting requirements.

5. NH&S will provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make or buy" decisions.

6. NH&S will counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

7. NH&S will develop and revise annually a document which will detail the Affirmative Action Policy and Plan of the Washington office (the primary office of the offeror).

   Agency revises/updates its Affirmative Action Plan annually and will provide a copy to the Department of Labor upon request.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, DC 20310

15 JUN 1984

Honorable Joseph P. Addabbo
House of Representatives
Washington, D.C. 20515

Dear Congressman:

This is a follow-on to my letter of 30 May 1984 to you, wherein we responded to your questions submitted for the record during the April 10, 1984 subcontracting hearings. As indicated in my letter, we have obtained the subcontracting plans from the various Army commands for the five consolidated contracts that were identified in our response included in the Insert for Record and they are enclosed herewith.

This concludes our response in its entirety to your letter of 30 April 1984.

I trust you found our responses complete and satisfactory.

Sincerely,

JRSculley

J.R. Sculley
Assistant Secretary of the Army
(Research, Development and Acquisition)

Attachment

COMMUNICATIONS AND ELECTRONICS COMMAND,
FT. MONMOUTH, NJ

SUBCONTRACTING PLAN

FOR

CONTRACT DAAB07-82-C-C057

RCA

U.S. Army Communication-Electronics Command
Commercial Activities Program Office
Procurement Planning Group
Fort Monmouth, New Jersey 07703

Attention: L. Farney, DRSEL-CP-CAP

Subject: Proposal RCA 536-81A
Submitted in Response to
Solicitation DAAB07-82-R-C001

Gentlemen: 23 April 1982

In accordance with your telephone request of 6 April, please find the attached Subcontracting Plan, prepared in accordance with Paragraph L.93 of the solicitation.

Additionally, we have included revised pages to Chapter 3, Section 2 and Chapter 8, which reflect the corrections cited to you in our telephone conversation of 15 April 1982.

Very truly yours,

P. H. Melroy
Manager, Prime Contracting

SUBCONTRACTING PLAN
IN ACCORDANCE WITH PUBLIC LAW 95-507

	Proposal Number	DAAB07-82-R-C001 #536-81A US Army CECOM MISA Installation Support Services Ft. Monmouth, N.J. 07703 Attn: J. Higgins Term: 1 Yr. Plus two 1 yr Options.
2.	Contractor Name:	RCA Service Company A Division of RCA Corporation
3.	Name of Person Completing Plan: Telephone No:	L. J. Poncet (609- 338-5078
4.	Total Estimated Cost of Proposal:	$10,000,000.00 Per Yr.
5a.	Total Estimated Value of Sub-Contracts:	$2,160,000.00 Per Yr.

5b. Goals:

Small Business:	85%	$1,836,000.00 Per Yr.
Small Disadvantaged Business:	2%	$ 43,200.00 Per Yr.

The major sub-contract areas as projected by RCA Service Company and shown in our proposal, provide numerous opportunities to contract with local small business in the Ft. Monmouth Area. RCA Service Company has been in contact with the local Small Business Agent in the area, and also sponsored and participated in a Small Business "Get Acquainted" meeting. Area Small Business Companies were invited to meet with RCA Service Company's Procurement Department, representatives to learn who we are, and what our interest was concerning Fort Monmouth. As a result, RCA Service Company established a list of Small and Small Disadvantaged Businesses to query relative to sub-contract areas. RCA Service Company Plans to sub-contract in these areas.

6. The designated individual within the employ of the contractor, bidder, or offeror who will administer the subcontracting program of this contract is:

Name:	L. J. Poncet
Title:	Manager, Purchasing Administration
Address:	RCA Service Company Building 203-1, Route 38 Cherry Hill, N.J. 08358
Telephone No:	(609) 338-5078
Duties:	See Attachment #2

7. Attachments 1 and 2, and associated procedures describe the efforts that will be taken to assure small business and small disadvantaged business concerns owned and controlled by the socially and economically disadvantaged will have an equitable opportunity to compete for all tiers of subcontracts that pertain to this proposal.

8. Attachment 3 and associated procedures indicate the types of records RCA will maintain to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small and small disadvantaged business concerns plus efforts to identify and award subcontracts to such business concerns as they pertain to this proposal.

9. I, the undersigned, an authorized agent of RCA Service Company, assure that as prime contractor RCA will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine extent of the compliance by RCA with this plan.

P. H. Melroy, Manager
Prime Contracting

SUBCONTRACTING PLAN
PUBLIC LAW 95-507

ATTACHMENT 1

RCA officially created a Minority Business Enterprise Program in 1970. It is managed by the Director of Government Procurement Programs (a Corporate Staff position) who serves as the Corporate Minority and Small Business Liaison Officer.

Each RCA Division and business operating unit has a minority and small business coordinator who administers the local programs within the Corporate framework and guidelines (RCA Corporate Policy 22109 and Purchasing Instruction C-12C07, and integral part of the Corporate Purchasing Manual.) (Copies Attached)

To further ensure an innovative and productive program, a nine-member RCA Minority Business Advisory Group was created. It is comprised of three Corporate Executives and six Divisional Purchasing Executives who meet three times a year to:

(1) Review and establish policy;
(2) Submit suggestions which may improve performance;
(3) Develop promotional and award programs; and
(4) Review and develop goals.

The committee also assigns a business goal to each division and business unit purchasing activity. These goals are monitored (on a monthly basis) at the corporate level to ensure that the established goals and objectives are met.

To further ensure the desired results, RCA is a National Member of the National Minority Purchasing Council. The Minority and Small Business Coordinator is a member of the Regional Minority Purchasing Councils located in New York, Boston, Philadelphia, Pittsburgh, Indianapolis, Los Angeles and Harrisburg. The RCA Corporate Small and Minority Business Liaison Officer is a member of NMPC's Executive Board and Board of Directors.

RCA's system has consistently produced an increase in the amount of business annually done with Small and Minority Businesses.

ATTACHMENT 2

RCA Service Company will assign L. J. Pancet as Minority and Small Business Coordinator for this contract. RCA also will take the following steps to ensure maximum participation of disadvantaged small businesses:

- Ensure that an adequate list of potential sources is available to each buyer.
- Review all major procurements (over $2,500) to ensure that small and socially and economically disadvantaged businesses are included in the bid list.
- Maintain membership in the National Minority Purchasing Council and other volunteer organizations and to seek new potential sources.
- Review progress (on a monthly basis) with the Manager of Materials and the Coordinator.
- Furnish management assistance to thos businesses needing assistance in becoming qualified suppliers.

RCA will pass down the required clauses as stated in the applicable Defense Acquisition Regulations in all subcontracts which offer further subcontracting opportunities.

During the course of the program we will continue to seek other qualified firms to support RCA, depending on task assignment and required specialties.

RCA will request and utilize the Small Business Administration's "Procurement Automated Source System" in order to locate and develop the maximum amount of Small Businesses and economically and socially disadvantaged suppliers for materials or services to meet our requirements.

ATTACHMENT 3

The Government contracts of RCA Service Company are under the cognizance of Defense Contract Administration Services Region (DCASR) in Philadelphia, Pennsylvania. DCASR maintains a branch office in Moorestown, New Jersey. Mr. F.P. Battaglini, as Administrative Contracting Officer in this office, administers RCA contracts, subcontracts, and purchasing. The ACO reviewed the following RCA Service Company procedures and approved them on the date indicated.

Property Control Procedures	3 August 1976
Purchasing System (including Purchase Orders and Subcontracts)	1 August 1980
Small Business and Labor Surplus Area Subcontracting Programs	15 September 1981

RCA will submit quarterly reports to the Contracting Officer, and/or others so specified, on purchases from disadvantaged concerns. These will be compared with the negotiated goals set forth in the contract. Any particular problems which may cause concern will also be reported to ensure that RCA is in compliance with the contract requirements.

RCA will maintain the following records:

- Number of disadvantaged businesses solicited.
- Number of disadvantaged business bids rejected together with the rationale for the decision.
- Number of orders, including dollar volume, awarded during the performance of this contract.
- Monthly measures of purchases measured against contract goals.

ATTACHMENT 3
(CONTINUED)

- Listing of all known disadvantaged businesses, subdivided into commodity classifications.

- Monthly reports to RCA Corporate Staff.

- RCA will comply with all other reporting requirements of DAC-76-24, paragraph 7-104.14(a) (6).

RCA Policy

Number
22109

Approved
1/2/79

Subject
RCA MINORITY BUSINESS ENTERPRISE PROGRAM

Supersedes
Initial

POLICY

1. This Policy reaffirms RCA's longstanding commitment to ensure that minority-owned businesses have an equal opportunity to compete for a fair and equitable portion of RCA's purchases.

   a. A minority business enterprise is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantages may arise from cultural, racial, chronic economic circumstances or background, or other similar causes. Such persons include, but are not limited to, Blacks, Orientals, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts. Minority business enterprises in Hawaii, Puerto Rico, and Guam qualify under this definition.

   b. These purchases include not only the materials and services normally purchased by the Purchasing activity, but also include such services as are required for advertising, banking, insurance, consulting, marketing, personnel services, etc.

2. RCA Corporation, its divisions and subsidiary companies, will aggressively seek out minority owned business and as appropriate assist and counsel them in becoming qualified suppliers of goods and services. The use of minority owned businesses will be encouraged at all levels of RCA business activity where specific decisions are made regarding the purchase of goods and services.

3. Corporate Materials is responsible for overall direction and monitoring of the RCA Minority Business Enterprise Program in accordance with instructions in the RCA Purchasing Manual. Corporate Materials will coordinate this program with the Corporate Community Relations Program and the Government Relations Program.

4. Each Major Operating Unit will actively promote the RCA Minority Business Enterprise Program among its executives, requisitioning functions and purchasing personnel. Each unit will develop and monitor goals and specific programs designed to increase purchases from minority businesses.

5. Purchases under Government contracts will be handled in accordance with applicable government regulations and directives.

SPONSIBILITIES

6. In coordinating the Minority Business Enterprise Program, Corporate Materials will be guided by RCA Policy 22101, Purchasing, and will:

   a. With the assistance of the Major Operating Unit, develop guidelines, goals and action plans to meet Program objectives.

   b. Assist Major Operating Units in advancing this program, working with the Minority Business Enterprise Program Coordinator in each unit.

   c. Revise program instructions to the RCA Purchasing Manual.

   d. Work with other RCA Staff activities as appropriate to assure coordination of the program with RCA's Community Relations and Government Relations Programs.

   e. Develop periodic reports on program performance for the information of RCA Executives and Major Operating Unit management, and the Purchasing community.

PLEMENTATION

7. Each Major Operating Unit will:

   a. Assign a Minority Business Enterprise Coordinator to direct the unit's program and to work with Corporate Materials.

   b. Be guided by Purchasing Procedure C-12007 in the RCA Purchasing Manual.

   c. Issue internal procedures, if required.

   d. Provide statistics and other information on program performance.

8. The Staff Vice President, Materials, will provide any interpretation of this policy that may be required.

RCA

Purchasing Manual

MINORITY BUSINESS ENTERPRISE PROGRAM

In accordance with RCA Policy 22109, this instruction describes RCA's policy and procedure regarding purchases from minority business enterprises.

A. DEFINITION

A minority business enterprise is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantages may arise from cultural, racial, chronic economic circumstances or background, or other similar causes. Such persons include, but are not limited to, Blacks, Orientals, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts. Minority business enterprises in Hawaii, Puerto Rico, and Guam qualify under this definition.

B. GENERAL

RCA will place a fair portion of its total purchases for all types of goods and services with qualified minority business enterprises. This portion of total purchases shall be that portion which a minority business can win in a competitive environment. These purchases include not only material and services normally purchased by the Purchasing activity but also include such services as required and contracted for by other activities.

Each division or subsidiary Purchasing activity is responsible for gathering and reporting information regarding business transactions with minority businesses.

C. PROCEDURE

1. Each Major Operating Unit Purchasing activity will:

   a. Designate a liaison officer who shall administer the Purchasing Minority Business Enterprise Program and interface with the Major Operating Unit Minority Business Enterprise Coordinator.

   b. Aggressively seek out minority owned businesses and, as appropriate, assist and counsel them in becoming qualified suppliers of goods and services.

c. Assure that minority businesses have an equal opportunity to compete for subcontracts and purchase orders by arranging solicitations, interviews, and preparation times, quantities, specifications, and delivery schedules to facilitate the participation of minority business enterprises.

d. Maintain records showing internal procedures which have been adopted to comply with RCA Policy [illegible] and this Instruction, including the establishment of a source-list of minority business enterprises.

e. Complete in triplicate on a monthly basis the Minority Business Enterprise (MBE) Monthly Report Form RCA [illegible] (Exhibit A attached) to furnish information regarding:

(1) Names and addresses of minority business enterprises with which purchase orders were placed during the month.

(2) The activity that placed the requirement (i.e. Purchasing for those items covered by a purchase order).

(3) A description of the material or service purchased.

(4) The number of orders placed and total dollar value of these orders for each vendor named, and the totals for the month.

(5) Any other information pertinent to this Program including but not limited to specific efforts to identify, assist, counsel and award Purchase Orders to minority business enterprises.

One copy of this report will be sent to the Corporate Minority Business Enterprise Coordinator. One copy will be included as part of each activity's Monthly Activity Report and an information copy will be retained by the Major Operating Unit Minority Business Liaison Officer.

2. Corporate Staff Materials will, through its Minority Business Enterprise Liaison Officer:

a. Make minority businesses known to the Major Operating Units through periodic Minority Business Bulletins as well as other appropriate means of communications.

b. Keep Corporate records of business placed with minority business enterprises that originates not only from the purchasing activity but from other areas as well.

c. Interface with all agencies of the Government relative to reports and surveys on minority business matters.

d. Develop guidelines, goals and action plans to meet Program objectives with the assistance of the Major Operating Units.

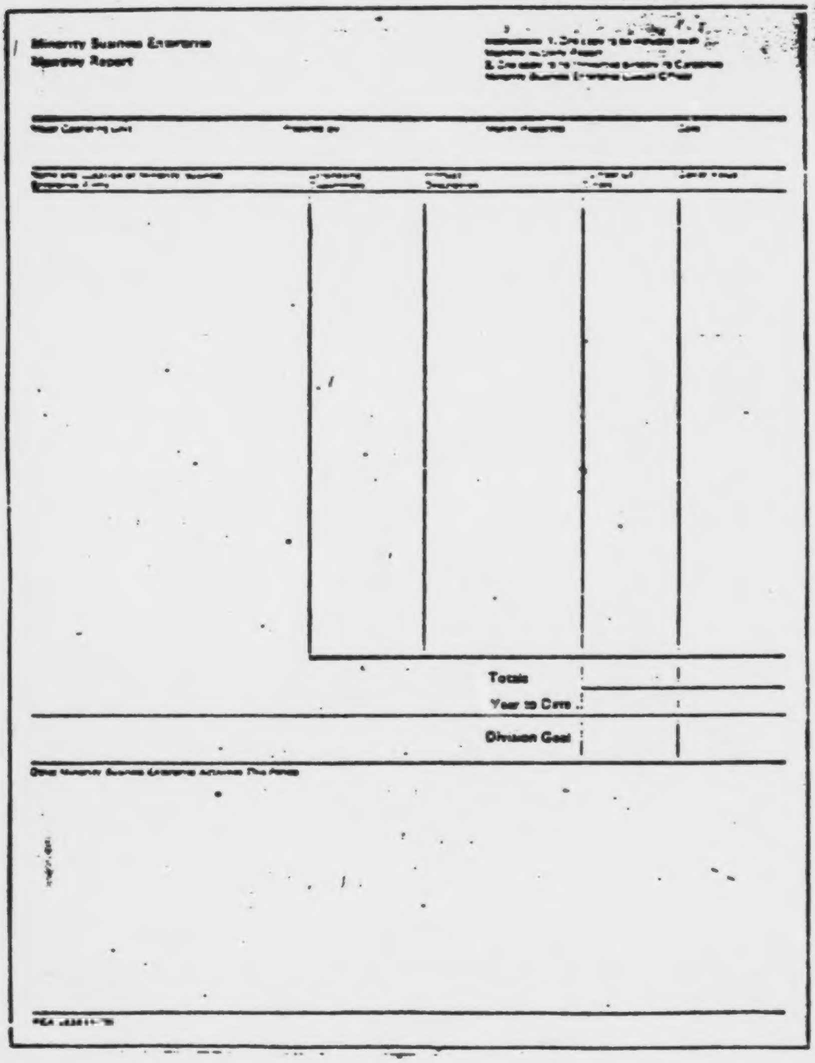
e. Assist Major Operating Units in advancing this program, working with the Minority Business Enterprise Program Coordinator in each unit.

f. Work with other RCA Staff activities as appropriate to assure coordination of the program with RCA's Community Relations and Government Relations Programs.

g. Develop periodic reports on program performance for the information of RCA Executives and Major Operating Unit management, and the Purchasing community.

EXHIBIT A

FORM RCA [illegible] MINORITY BUSINESS ENTERPRISE MONTHLY REPORT



Minority Business Enterprise
Monthly Report

[illegible] 1. [illegible]
2. [illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
		Totals		
		Year to Date		
		Division Goal		

[illegible]

RCA [illegible]

Purchasing Manual

Issued 11/10/80

Supersedes 4/22/80

Subject
PROCUREMENTS FROM SMALL AND SMALL DISADVANTAGED BUSINESS CONCERNS

Page 1

This Instruction describes requirements imposed by Public Law 95-507 for the utilization of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. It is RCA policy to comply fully with these requirements.

A. INTRODUCTION

1. P.L. 95-507, Section 211, implemented by the Defense Acquisition Regulation (DAR) in Sections 1-707 and 7-104 (a) - (d) and by the Federal Procurement Regulations (FPR) in Temporary Regulation 50, requires that in all U.S. Government contracts and subcontracts over $10,000 in amount* a specific clause (entitled Utilization of Small Business and Small Disadvantaged Business Concerns) be included; the clause expresses the contractor's and subcontractor's agreement to carry out the policy of the United States in the awarding of subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with the efficient performance of the contract. This clause is incorporated in Supplement "A", see Purchasing Manual Instruction G-12306, Exhibit A, and in Supplement "CR", see Purchasing Manual Instruction G-12319, Exhibit A.

2. P.L. 95-507, Section 211, implemented by DAR and FPR as cited in paragraph A.1. above, also requires that in all solicitations for Government contracts or contract modifications which (a) offer subcontracting possibilities, (b) may exceed $500,000 in amount (or $1,000,000 in amount, if for construction), and (c) are required to include the clause cited in paragraph A.1. above a clause be included notifying offerors or bidders that a small business and small disadvantaged business subcontracting plan will be negotiated with the successful offeror or submitted by the low bidder. The clause is incorporated by reference in Supplement "A" and in full text in Supplement "CR."

3. Any RCA business unit awarded a U.S. Government contract or subcontract containing the clause referred to in paragraph A.1. above or seeking award of a U.S. Government contract or subcontract under a solicitation containing the clause cited in paragraph A.2. above must comply with the applicable clause or clauses.

*Except those which, including all subcontracts, will be performed entirely outside of any State, territory or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico, or those which are for services personal in nature.

B. RESPONSIBILITIES

1. It is the responsibility of the Senior Materials or Purchasing Manager of each RCA business unit doing business with the U.S. Government to ascertain the applicability of this Instruction and to assure that the requirements of this Instruction are met.

2. The Senior Materials or Purchasing Manager of each business unit doing business with the U.S. Government will appoint a Small and Small Disadvantaged Business Coordinator, who will promote and monitor maximum utilization of small and small disadvantaged businesses as vendors and subcontractors under Government contracts and subcontracts awarded to that business unit.

3. The Small and Small Disadvantaged Business Coordinator will coordinate for the business unit the preparation of the subcontracting plan to be submitted or negotiated in response to the clause cited in paragraph A.2. and will assist the business unit Marketing or Contract Administration representative in gaining the Contracting Officer's or higher-tier Government contractor's acceptance of the plan.

4. The Director, Government Procurement Programs RCA Staff will provide any further interpretation of this Instruction that may be required.

C. DEFINITIONS AND CRITERIA

1. As used in P.L. 95-507, the implementing DAR and FPR regulations, and this Instruction, the following meanings apply:

   "Small business concern" - a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto;

   "Small business concern owned and controlled by socially and economically disadvantaged individuals" - a small business concern (1) which is at least 51 per cent owned by one or more socially and economically disadvantaged individuals or, in the case of any publicly owned business, at least 51 per cent of the stock of which is owned by one or more socially and economically disadvantaged individuals, and (2) whose management and daily business operations are controlled by one of more of such individuals.

2. A U.S. Government contractor or subcontractor acting in response to the clauses cited in paragraphs A.1. and A.2. above snall presume that socially and economically disadvantaged individuals include Asian-Pacific Americans (i.e., U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, or Taiwan), Black Americans, Hispanic Americans, Native Americans (such as American Indians, Eskimos,

Aleuts and Native Hawaiians), and other minorities, or any other individuals found to be disadvantaged by the U.S. Small Business Administration pursuant to Section 8 (a) of the Small Business Act.

3. An RCA business unit acting in good faith may rely on a written representation by its subcontractor regarding the subcontractor's status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

4. "Woman-owned business" - To qualify as a small disadvantaged business, a woman-owned business must be a small business concern at least 51 per cent owned and controlled by one of more socially and economically disadvantaged individuals; majority ownership and control by one of more women is insufficient. (Purchasing from woman-owned businesses is not required by P.L. 95-507. However, the Government report forms require reporting that statistic, along with other statistics not a part of the law, such as those on doing business with foreign, non-profit, and labor surplus concerns. The women-owned business effort is in response to Executive Order 12138.)

5. Other individuals may qualify as socially and economically disadvantaged under procedures established by the U.S. Small Business Administration, using these guidelines:

   a. Socially disadvantaged individuals are those individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

   b. Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired because of diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

6. The Office of Minority Small Business and Capital Ownership Development in the Small Business Administration will answer inquiries from prime contractors and others concerning the class of eligibles.

7. Subcontracting plans are not required of small business concerns.

D. SUBCONTRACTING PLANS

1. When RCA is the apparent successful offeror in response to a solicitation containing a requirement for negotiation of a small and small disadvantaged business subcontracting plan, it must submit and negotiate a subcontracting plan which addresses separately subcontracting with small business concerns and small

disadvantaged business concerns and which shall be made a part of the resulting contract. Failure to submit and negotiate the subcontracting plan shall make RCA ineligible for award. As a minimum, the plan shall include:

▷ a. Separate percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. To be included are all subcontracts to be awarded in performance of the contract; there may be included a proportionate share of supplies and services whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to the contract.

(1) A statement of: (i) total dollars planned to be subcontracted; (ii) total dollars planned to be subcontracted to small business; and (iii) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal supply and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

(3) A statement of the method used in developing proposed subcontracting goals for small business and small disadvantaged business concerns.

(4) If the offeror includes indirect and overhead costs as an element in establishing the goals in the subcontracting plan, the method used in determining the proportionate share of indirect and overhead costs incurred with (i) small business, and (ii) small disadvantaged business subcontractors shall be explained.

(5) A statement of the method used for solicitation purposes (e.g., did the offeror use company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing Council Vendor Information Service, or the services provided by the U.S. Department of Commerce Minority Business Development Agency's Research and Information Division, and the facilities of small business and disadvantaged business trade associations?).

b. The name of the individual within the employ of the offeror who will administer the subcontracting plan and a description of the duties of the individual.

c. A description of the efforts the offeror will make to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts.

d. Assurances that the offeror will include the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns in all subcontracts which offer further subcontracting possibilities in the United States and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause.

e. Assurances that the offeror will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

f. A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated).

(1) Small and disadvantaged business source lists, guides, and other data identifying small and small disadvantaged business vendors.

(2) Organizations contacted for small and disadvantaged business sources.

▷ (3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (i) whether small business was solicited and if not, why not; (ii) whether small disadvantaged business was solicitated and if not, why not; and (iii) reasons for the failure of responding small businesses or small disadvantaged businesses to receive the subcontract award.

▷ Denotes change or addition

4. Assist small business and small disadvantaged business concern by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation by such concerns. When the Contractor's lists of potential small business and disadvantag subcontractors are excessively long, reasonable effort shall b made to give all such small business concerns an opportunity t compete over a period of time.

5., Provide adequate and timely consideration of the potentialitie of small business and small disadvantaged business concerns in all "make-or-buy" decisions.

6. Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firm as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

F. EFFECT OF NONCOMPLIANCE

The failure of any contractor or subcontractor to comply in good faith with the clause described in paragraph A.1. when the clause incorporated in the contract or the subcontract or with an approve plan required as stated in paragraph D.1. or D.2. will be a materi breach of the contract or subcontract.

G. REPORTS

Requirements for this section will be incorporated upon release of the regulations and instructions pertaining to the issuance of reports.

(4) Records to support such efforts as:

  (i) contacts with disadvantaged and small business trade associations;
  (ii) contacts with business development organizations; and
  (iii) attendance at small and disadvantaged business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers such as:

  (i) workshops, seminars, training programs, etc., and
  (ii) monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name, address, and size status of subcontractor.

2. When RCA is the apparent low bidder in response to a formally advertised solicitation containing a requirement for submission of a small and small disadvantaged business subcontracting plan, it shall submit such a plan upon request. Failure to submit the subcontracting plan shall make RCA ineligible for award. As a minimum, the plan shall satisfy the requirements described in paragraph D.1. a.-f.

IMPLEMENTATION OF SUBCONTRACTING PLAN

In order to implement effectively the plans described in paragraph D.1. and D.2., the contract clause provides that the contractor shall:

1. Issue and promulgate company wide policy statements in support of this effort, develop written procedures and work instructions, and assign specific responsibilities regarding requirements of this clause.

2. Demonstrate continuing management interest and involvement in support of this effort through such actions as regular reviews of progress and establishment of overall corporate and divisional goals and objectives.

3. Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms.

Procedure

Issue Number
1
Effective
5/29/90

Subject
Requirements for the Utilization of Small and Small Disadvantaged Business Concerns Program

Scope: Government Contracts Contracting, Marketing and Purchasing activities.

Purpose: To implement RCA's policy regarding the utilization of small business concerns and small disadvantaged busine concerns in the performance on government contracts which invoke PL95-507.

Form: Small Business Check List (Form RCA 329)

Definitions: Small Business Concern - A small business as defined i the Small Business Act and relevant regulations inclu ing DAR and FPR. A small business concern is independently owned and operated and is not dominant in the field of operation in which it is bidding for work. general, a small business concern will have no more than 500 employees.

Small Disadvantaged Business Concern - A small busin s concern:

a. Which is at least 51% owned by one or more sociall and economically disadvantaged individuals; or i the case of any publicly owned business, at least 51% of the stock of which is owned by one or mor socially and economically disadvantaged individu l

b. Whose management and daily business operations are controlled by one or more such individuals. Such individuals include Asian Americans, Black Americ Hispanic Americans, Native Americans, (such as Am ican Indians, Eskimos, Aleuts and Native Hawaiians and other minorities, or any other individuals fou to be disadvantaged pursuant to the Small Business Act.

c. A firm may self-certify, in writing, as to its status which will be accepted at face value.

PL95-507 - Public Law 95-507 requires that on U.S. government contracts over $10,000 the contractor (RCA Service Company), by acceptance of the contract, agre to award subcontracts to small business and small disadvantaged business concerns to the fullest extent co sistent with efficient performance on the contract.

Index:

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A. Policy 2
B. General 2
C. Responsibilities 3

Procedure:

A. Policy

It is RCA's policy to ensure that small business concerns and small disadvantaged business concerns have an equal opportunity to engage in open competition for a full and equitable portion of purchases. RCA Service Company is committed to an aggressive pursuit of this policy. Specifications, drawings, and other pertinent data will be made available to technically and financially competent small disadvantaged business concerns for their use in the preparation of bids. All efforts will be made to locate such businesses and to assist and counsel potentially qualified suppliers, as appropriate and practicable.

B. General

1. RCA Service Company, upon receipt of RFP or IFB or upon award of a U.S. government contract or subcontract invoking PL95-507 must:

   - Award subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with the efficient performance of any contract over $10,000.

   - In addition, for each contract $500,000 or more ($1,000,000 or more for construction), submit and negotiate an acceptable subcontracting plan for small and small disadvantaged business concerns. Included in this plan will be separate percentage goals for each type of business concern and a comprehensive description of efforts to be made to achieve these goals.

2. Purchasing will take the following action to assure compliance with the above requirements.

   - Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms.

- Assist small business and small disadvantaged business concerns by preparing complete solicitations outlining quantities, descriptions, specifications and delivery information and to allow adequate time for response to such solicitations so as to facilitate their participation. Maximum utilization of such business concerns will be made. Reference sources for such concerns are: SBA, PASS; National Supplier Development Council, VIS System; FCA, PSAS System; and other sources developed thru reference to other agencies.

- Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.

- Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

C. Responsibilities

1. Government Services Marketing.

Upon receipt of a solicitation, Request For Proposal (RFP) or Invitation For Bid (IFB), invoking PL95-507:

- Immediately advise the Purchasing activity identifying the RFP/IFB with appropriate references. Include any requirement that may specify specific relationships with a PCO/ACO or designate a SBA Regional Office for the control or reporting aspects of PL95-507.

- Furnish Purchasing with any specific data contained therein which details the use of small or small disadvantaged business concerns.

- Request Purchasing to develop a small and small disadvantaged business subcontracting plan for inclusion in the proposal.

2. Government Services Contracting and Operations Analysis.

a. Upon award of a contract in which PL95-507 was included in the proposal:

- Furnish Home Office Purchasing and applicable Field Office Purchasing with a copy of the Contract Information Summary (CIS) as notification of the PL95-507 requirement.

- The CIS is to include Contract and Proposal number identification and any requirement to implement a negotiated subcontracting plan. If contract changes require the submission of a revised subcontracting plan, notify Purchasing.

b. For contract awards where a PL95-507 subcontracting plan was not previously submitted or when an existing contract is modified to invoke PL95-507:

- Furnish Home Office Purchasing and applicable Field Office Purchasing with a CIS containing the information shown above.

- Request Home Office Purchasing to develop a subcontracting plan.

c. Negotiate all developed subcontracting plan with the appropriate PCO/ACO.

3. Home Office Purchasing.

a. Prepare all PL95-507 subcontracting plans.

b. Be the sole RCA Service Company point-of-contact for all reports, questions, audit and audit review contacts including RCA Staff Materials and the SBA regarding the implementation of PL95-507.

c. The following will be utilized when preparing a subcontracting plan:

- Separate percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. To be included are all first-tier subcontracts to be awarded in performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to the contract.

- The name of the individual who will administer the subcontracting plan and a description of the duties of the individual.

- A description of the efforts which will be made to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts.

- Assurances that the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns will be inserted in all subcontracts which offer further subcontracting opportunities and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause.

- Assurances that we will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

- A recitation of the types of records which will be maintained to document routines which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns; and efforts to identify and award subcontracts to such small business concerns.

d. Develop new programs and monitor existing programs designed to increase purchases from small and small disadvantaged business concerns.

e. Establish and use a source list of small and small disadvantaged business concerns.

f. Field and Home Office Purchasing, as appropriate, complete for each purchase order with a value of $10,000 or more, based on a government contract, the appropriate sections of the Small Business Check List (RCA Form 329). The original is to be sent to RCA Small Business Liaison Officer, duplicate is filed in the purchase order folder.

g. Prepare and submit to the appropriate PCO and/or cognizant agency necessary reports as required by PL95-507.

  - A quarterly report showing progress to date on each contract.

  - A quarterly report showing progress on all agency (DoD, DOL, NASA, etc.) contracts.

Copies of each report will be sent to:

Government Services Contracting

Appropriate Field Office Purchasing

RCA Staff Materials

Purchasing Manual	Issued 2/24/81 Supersedes 9/25/78
Subject SMALL BUSINESS CHECK LIST	Page 1

A. GENERAL

This Instruction describes the procedure to be followed by Purchasing personnel for all procurements for $10,000 or more which are pursuant to Government contracts or subcontracts.

B. RESPONSIBILITY

1. All Buyers must assure that Small Business firms have been given fair and reasonable consideration prior to the award of each Purchase Order or subcontract. To carry out RCA's Small Business Policy the Buyer must substantiate his or her actions by completing the Small Business Check List form RCA 329 (Exhibit A) for all purchases of $10,000 or more which are pursuant to Government contracts or subcontracts.

2. The Buyer will include information concerning action taken in requesting assistance from the Small Business Administration to obtain small business sources under the RCA Referral Program. For the procedure to be followed, see Instruction G-12303.

3. The Small Business Check List will be reviewed and approved by the appropriate managing Buyer for procurements up to $25,000. The head of the Purchasing activity will review and approve by signature all Check Lists over $25,000.

4. A copy of the Quotation Analysis (RCA 617) form will be attached to the original copy of the Small Business Check List when it is appropriate. The Buyer will indicate on the Quotation Analysis whether the bidder is large or small.

5. A copy of the Purchase Approval Request (RCA 639) should be attached to the original copy of the Check List when it contains background information on the procurement which would be of assistance in reviewing the Check List with Government representatives.

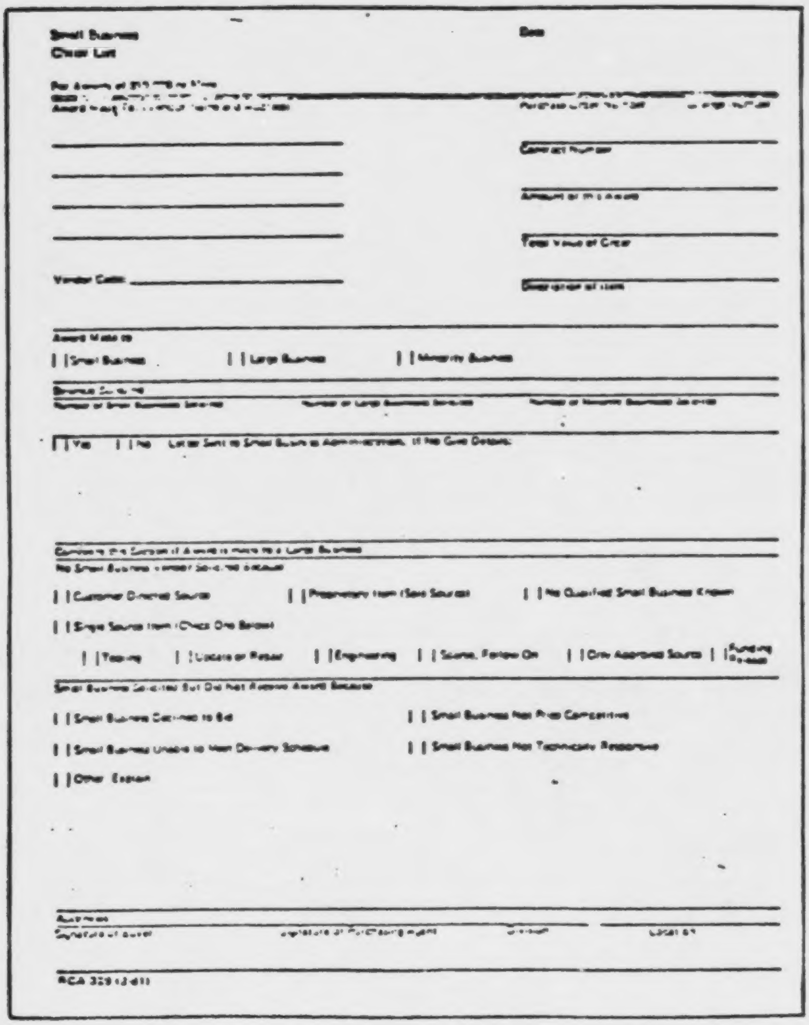
6. A Small Business Check List will be prepared for each Purchase Change Order of $10,000. The original Small Business Check List for each order exceeding $10,000 should be issued for full dollar value of the Purchase Order even though the total funding may be restricted. Check lists need not be issued to cover incremental funding releases.

7. The Small Business Check List will not be prepared for Inter-Divisional Transactions or for procurements from a non-profit organization.

RCA 1084

EXHIBIT A

FORM RCA 329 - SMALL BUSINESS CHECK LIST



Small Business
Check List

Date

For Awards of $10,000 or More
[illegible]
Award Made To (Vendor Name and Address)

Purchase Order Number / Change Number

Contract Number

Amount of this Award

Total Value of Order

Vendor Code: ______

Description of Item

Award Made to

☐ Small Business ☐ Large Business ☐ Minority Business

Sources Solicited

Number of Small Business Solicited / Number of Large Business Solicited / Number of Minority Business Solicited

☐ Yes ☐ No Letter Sent to Small Business Administration. If No Give Details:

Complete this Section if Award is made to a Large Business

No Small Business Concern Solicited Because

☐ Customer Directed Source ☐ Proprietary Item (Sole Source) ☐ No Qualified Small Business Known

☐ Single Source Item (Check One Below)

☐ Tooling ☐ Update or Repair ☐ Engineering ☐ Spares, Follow On ☐ Only Approved Source ☐ Funding Release

Small Business Solicited But Did Not Receive Award Because

☐ Small Business Declined to Bid ☐ Small Business Not Price Competitive

☐ Small Business Unable to Meet Delivery Schedule ☐ Small Business Not Technically Responsive

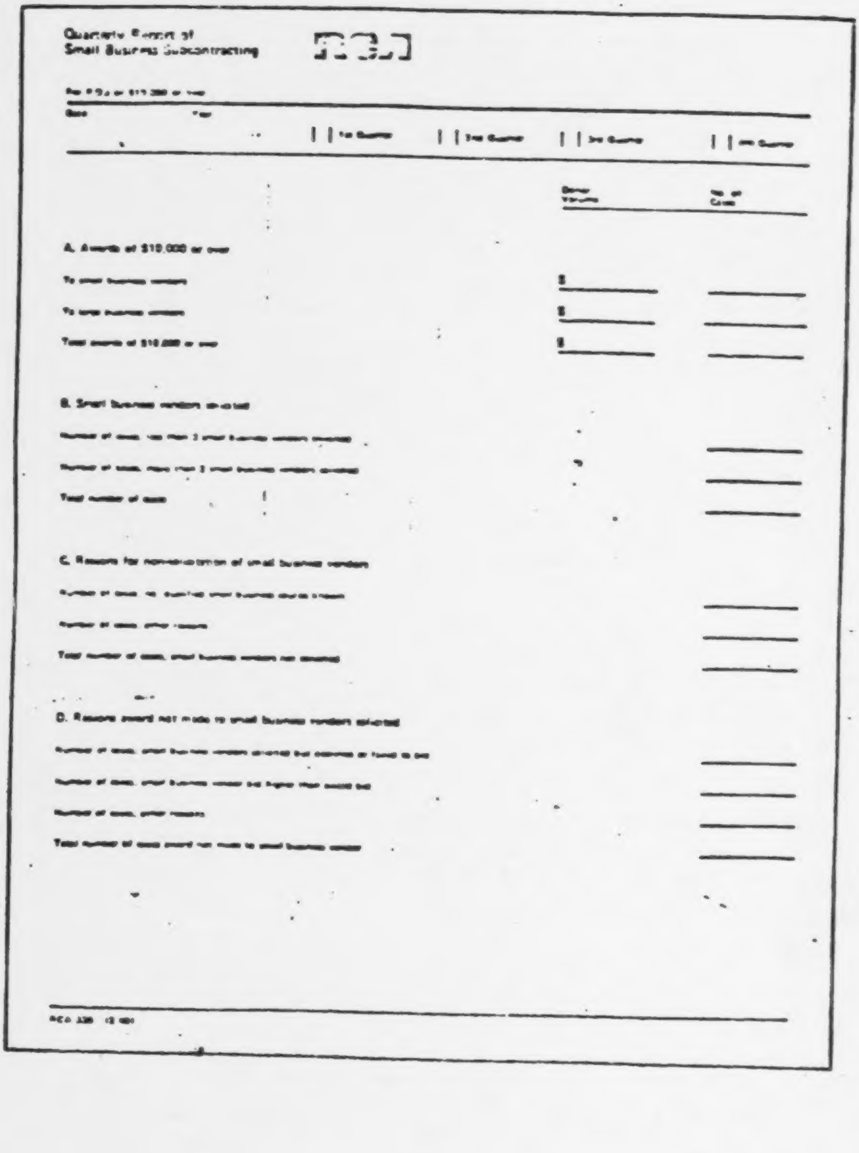
☐ Other Explain

Approvals

Signature of Buyer / Signature of Purchasing Agent / Division / Location

RCA 329 (2-81)

EXHIBIT B



Quarterly Report of
Small Business Subcontracting

A. Awards of $10,000 or over

To small business vendors $\$$ ______ ______

To large business vendors $\$$ ______ ______

Total awards of $10,000 or over $\$$ ______ ______

B. Small business vendors solicited

C. Reasons for nonsolicitation of small business vendors

D. Reasons award not made to small business vendors solicited

RCA
Purchasing Manual

Number
G-12305
Issued
8/25/77
Supersedes
2/3/64

Subject
REFERRAL PROGRAM

Page
1

This Instruction describes the procedure to be followed by Purchasing personnel regarding procurements for $10,000 or over which are pursuant to Government contract or subcontract and which fall within the parameters of the Referral Program as outlined below.

A. PROCEDURE

1. The Purchasing organization will request, by letter, assistanc in obtaining additional small business sources from the Small Business Administration in areas where "no small business sour is known," or "where less than three small business sources were known at the time of solicitation" on all procurements $10,000 or over which are pursuant to a Government contract or subcontract.

   The Small Business Administration is most interested in the procurement of items which are repetitive in nature. Therefore, if no small business source is known at the time of solicitation, or fewer than three were solicited, any suggested sources received "after the fact" would, in essence, be given consideration on future solicitations.

2. The letter to the Small Business Administration will include a required information, i.e., prints, specifications, etc., necessary for the SBA to do the proper job of locating sources to recommend. This same information will be directed to the Contracting Officer simultaneously, and a copy of the letter, ONLY, will be mailed to the Corporate Small Business Liaison Officer.

   In those cases where the Purchasing organization has been advised that such requests will be made only through the Contracting Officer, the judgment of the Purchasing Agent or Manager of Materials regarding notification will be completely satisfactory and acceptable.

B. DELAY IN PERFORMANCE

Under no circumstances will any Purchasing organization delay completion of the procurement action by waiting for suggested small business sources, if such delay would in any way affect RCA's performance under the contract or subcontract.

C. COORDINATION

1. Action taken under this Referral Program will be indicated by the Buyer or Subcontract Administrator on the Small Business Check List (Form RCA 329) as directed in Paragraph A.2. of Instruction G-12304.

2. All requests for assistance under the Referral Program will be coordinated by an individual (the Small Business Administrator) designated for this purpose by the head of the Purchasing organization. The Buyer or Subcontract Administrator will forward all necessary information to the Small Business Administrator.

COMMUNICATIONS COMMAND,

FT. HUACHUCA, AZ

SUBCONTRACTING PLAN

FOR

CONTRACT DAEA 18-83-C-0129

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL BUSINESS OWNED AND CONTROLLED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

APPENDIX A

SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL BUSINESS OWNED AND CONTROLLED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

I. Introduction

The Small Business Act of 1958, as amended October 24, 1978, by Public Law 95-507, states in part: "It is the policy of the United States that small business concerns, and small business concerns owned and controlled by socially and economically disadvantaged individuals, shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal Agency." Our company recognizes its responsibility to implement such policies and will take definite and aggressive action to further the opportunities of small business concerns and small disadvantaged business concerns to the fullest extent consistent with the efficient and economical performance of the contract.

The purpose of this subcontracting plan is to establish a systematic approach by which we can best fulfill at Fort Huachuca our obligations under the applicable regulations issued pursuant to Public Law 95-507. The plan includes a statement of the goals to be achieved and establishes procedures that will ensure that these objectives will be met.

II. Definitions

A. As used in this plan, the term " small business concern" shall mean a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.

B. The term "small business concern owned and controlled by socially and economically disadvantaged individuals," also referred to as "small disadvantaged business concern," shall mean a small business concern: (1) which is at least 51 percent owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more socially and economically disadvantaged individuals; and (2) whose management and daily business operations are controlled by one or more of such individuals. The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans and other minorities, or any other individuals found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small Business Act.

C. The terms "subcontract" and "subcontracting" do not include the procurement of insurance coverage nor the procurement at the corporate level of services which are chargeable, on a proportionate basis, as indirect costs attributable to this contract.

III. Goals

In order to achieve the objective of providing maximum opportunities for small business concerns to participate in the performance of contractor requirements (subject to contractual limitations on contractor purchases) at Fort Huachuca, the following goals for awards to small business concerns and small disadvantaged business concerns during the first contract year have been established:

A. 20.2 percent of the total planned subcontract amount of $1,041,598 to small business concerns.

B. 63.1 percent of the total planned subcontract amount of 1,041,598 to small disadvantaged business concerns.

C. Our company proposes to subcontract the Transportation Services function to a small disadvantaged business concern and to restrict our subcontracting for services, materials, equipment and supplies to small and small disadvantaged business concerns whenever it is practical to do so.

D. The foregoing goals for small business concerns and for small disadvantaged business concerns were established as reasonable on the basis of experience at Fort Gordon and elsewhere, plus the anticipation that our intensive efforts to develop small business and small disadvantaged business subcontractors will be fruitful.

IV. Plan

To achieve the goals set forth above, and otherwise to accomplish the Small Business Act and the regulations promulgated thereunder, we will make all reasonable efforts to ensure the small business concerns and small disadvantaged business concerns will be afforded an equitable opportunity to compete for subcontracts. Such efforts will include, but not be limited to, the following actions:

A. Issue and promulgate company-wide policy statements in support of this effort, develop written procedures and work instructions, and assign specific responsibilities regarding requirements of this plan;

B. Demonstrate continuing management interest and involvement in support of this effort through such actions as regular reviews of progress and establishment of overall corporate and divisional goals and objectives;

C. Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms;

D. Assist small business and small disadvantaged business concerns by arranging solicitations, time for preparation of bids, quantities, specifications and delivery schedules to facilitate the participation by such concerns. Where the list of potential small business and disadvantaged subcontractors is excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time;

E. Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions;

F. Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA;

G. Submit Standard Form 295 in accordance with instructions provided on the form;

H. Include the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns in all subcontracts which offer further subcontracting opportunities and require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause;

I. Submit such periodic reports and cooperate in any studies or surveys required by the contracting agency or the Small Business Administration to determine the extent of compliance by the company with the subcontracting plan;

J. Maintain records to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns, and efforts to identify and award subcontracts to such small business concerns. The records shall include but not be limited to the following:

   a. Small and disadvantaged business source lists, guides and other data identifying small and small disadvantaged business vendors. Screen debarred and suspended contractor lists to ensure no contracts or purchase orders are awarded to firms on such lists.

   b. Records of organizations contacted for small and disadvantaged business sources.

   c. Data on all subcontract solicitations over $100,000, indicating on each solicitation (i) whether small business was solicited and if not, why not; (ii) whether small disadvantaged business was solicited and if not, why not; and (iii) reasons for the failure of responding small businesses to receive the subcontract award.

   d. Records of contacts with disadvantaged and small business associations and business development organizations.

   e. Records of attendance at small and disadvantaged business procurement conferences and trade fairs.

   f. Records of internal efforts such as workshops, seminars, training programs, etc., to guide and encourage buyers to achieve goals.

g. On a contract-by-contract basis, records to support award data submitted to the government including name, address and size status of the subcontractor.

K. Take such measures as may be required to give small business concerns and small disadvantaged business concerns every equitable opportunity to compete for subcontracts.

V. Plan Administrator

To ensure the success of the subcontracting plan for small business and small disadvantaged business concerns as herein proposed, our Manager of Administrative Services at the Fort Huachuca Support Project will be designated as Subcontracting Plan Administrator. The position is being placed at this high level in the organization because of the importance we place on achieving the goals set forth in the plan.

The Subcontracting Plan Administrator will direct the implementation and administration of all aspects of this plan. He will ensure that all levels of management are fully advised of the plan and their individual responsibilities. He will monitor the performance of those personnel supervising procurement activities. We will develop a record-keeping system and ensure that all required records are maintained and reports properly submitted. He will serve as liaison with those organizations that assist small business and small disadvantaged business concerns and perform other duties as necessary to ensure compliance with the plan guidelines, policies and objectives.

TRAINING AND DOCTRINE COMMAND,

FT. MONROE, VA

SUBCONTRACTING PLAN

FOR

CONTRACT DABT 57-83-C-0009

DYNALECTRON CORPORATION
1313 DOLLEY MADISON BOULEVARD
McLEAN, VIRGINIA 22101

TH YUDENFRIEND
ASSOCIATE GROUP COUNSEL

(703) 356-0480

May 1, 1984

84-117

Wayne Moreland
Contracting Officer
Procurement Division
USAECFB
Building T-732
PCA Branch
Fort Belvoir, Virginia 22060

Ref → RFP

Re: Contract No. DABT56-83-R-0022

Dear Mr. Moreland:

As you are aware, Dynalectron was awarded the subject contract last week. Dynalectron's technical proposal has been incorporated by reference into this contract. This letter is to advise you that our proposal contains business confidential and proprietary information. Disclosure of this data to the public would cause Dynalectron tremendous competitive harm.

In light of this, any requests to release Dynalectron's proposal should be cleared through our office. We will review the proposal to determine what portions, if any, may be disclosed to the public without harming our competitive position. We will then submit to you a sanitized version of this proposal for your release.

Thank you for your efforts on our behalf. I would appreciate it if you contact me if you have any questions.

Sincerely,

SEE INSERT FOR THE RECORD FOR STATUS:

Ruth Yudenfriend

Note: CONTRACT AWARDED ON 27 APR '84 BUT NOTICE TO PROCEED WAS NOT BEEN ISSUED. ANTICIPATE START IS 1 NOV. 84. SUBCONTRACTING GOALS ARE IN NEGOTIAT

RY/sd
cc: B. Johnson

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2.4 SUBCONTRACTING PLAN*

In providing the proposed DEH services at Fort Belvoir, we plan to make the most efficient and effective expenditure of funds consistent with the Army's requirements, regulations and goals. With this objective in mind, we are considering subcontracting those services presently being contracted as shown on Technical Exhibit #2 of the RFP. In addition, housing management functions will be contracted out to JL Associates, Inc. Hampton, Virginia. JL Associates is a well established small business firm. The experience and capability of this company as briefly described below is contained in our experience section and as part of our cost proposal.

SOW References	Area of Service	Subcontractor
C.5.14	Housing	JL Associates, Inc.

The proposed use of selected subcontractors is fully consistent with our company's practice of supporting the U.S. Government's policy of subcontracting to small and small disadvantaged business concerns where practical. Our selection of JL Associates was based on the quality of their management and performance in their respective areas of service and our belief that their participation will enhance the company's support to the U.S. Army at Fort Belvoir.

Prime factors considered in selecting a housing subcontractor to support our Division in performing the management and operation functions of the Fort Belvoir programs included background qualifications and experience. JL Associates has an excellent performance record and are fully qualified in their technical areas. We are confident they will make a very positive contribution to the achievement of our commitment to the U.S. Army. As stated previously, our commitment is one of providing only high quality, professional services that will fully support the Fort Belvoir mission.

---

* All references to the Engineer Services subcontractor, Kuljian Corporation, have been deleted. No other substantive changes have been made.

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The following paragraph is a brief description of our subcontractor.

JL Associates, Inc., is a small business firm located in Hampton, Virginia with numerous Government Service contracts for the military services. They are located at various Army and Navy bases throughout the Tidewater, Virginia area. At present they operate, as one of their contracts, the management and administration of the housing program at Fort Eustis and Fort Story, Virginia for the U.S. Army. Specific responsibility of this contract is for JL Associates, Inc., to operate the centralized housing management function. This includes the determination of housing requirements, forecasting and planning for annual and long-range work plans, housing assignment and termination, off-post housing reference services, operation of the bachelor and transient quarters, and provision of furnishing management for family housing, bachelor/transient quarters and troop barracks.

In addition to our selection of the housing subcontractor described above, we intend to subcontract for all those services listed in the RFP, Technical Exhibit #2 in support of the present DEH mission at Fort Belvoir. We will use small business and small minority business as part of this subcontract effort. To ensure these functional areas are included in as part of our proposal, the following functions will be subcontracted:

- o Interior Painting - Family Housing
- o Reserved
- o Building Maintenance & Repairs Postwide
- o Refuse Collection
    - a. Family Housing
    - b. Jones Point
    - c. Woodbridge
- o Garbage Collection - Mess Hall
- o Chlorine, Swimming Pools

- Snow & Ice Control
- Electric Motor Repair
- Dielectric Testing Bucket Truck
- Steam Clean Dumpsters
- Clean Kitchen Exhausts
- Calibrate Electric Meters
- Calibrate Fuel Meters
- Calibrate Sewage Flow
- Cathodic Inspection Protection
- Elevator Maintenance
- Bathtub Resurfacing - Family Housing

We will rely heavily on our experience in subcontracting under other major contracts to negotiate subcontracts which are fair and equitable to all parties and which provide incentives for outstanding performance.

In selecting subcontractors for the foregoing services or any other service or supplies, the following procedures will be employed:

- We will select firms with demonstrated ability to perform the required functions, with special attention given to small businesses owned and/or controlled by economically disadvantaged individuals.

- Subcontracts will be negotiated with those firms deemed most qualified from the standpoint of demonstrated capability, cost, and delivery.

- We will ensure that all subcontracts clearly define the scope of the work to be performed; delivery schedule; reporting and interface relationships; performance standards; subcontractor evaluation procedures; inspection, insurance and termination clauses; terms and conditions; and any other government-required as well as company-required policies and procedures.

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2.4.1 Subcontractor Sources

Our subcontracting procedures require the formulation of a "Subcontractor Profile" file as an immediate source of interested subcontractors. This file is categorized according to goods or services offered. From this file, we typically generate card files (Figure 2.4-1) which identify companies that supply various commodities or perform various types of services. The file is segregated by major types of goods or services -- for example, grounds maintenance, vehicle repair parts, etc. Shown on the file card for each subcontractor is also a list of other/additional services offered.

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PAINTING SUBCONTRACTS

COMPANY NAME:______________CONTRACT: __________ PHONE:______

SUBCONTRACTOR INTEREST:______________________________________

ADDITIONAL SERVICES:

1.

2.

3.

4.

5.

Figure 2.4-1 Subcontractor File

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We recognize the need for competition among competent suppliers to minimize cost. Accordingly, additions will be made to the file throughout the contract period.

All subcontractors will be screened by the company, using Dun and Bradstreet reports, Small Business Administration evaluations, and other means to ensure adequate financial and professional responsibility.

Small business firms and small disadvantaged business firms will be utilized to the maximum extent possible consistent with required quality, cost and delivery considerations.

2.4.2 Proposal Evaluations, Integrated Agreements

In all procurements, proposals will be evaluated using company- and Government-established criteria without giving special advantage to any particular bidder. In any relatively complex negotiated procurement, the formal Request for Proposal (RFP) will provide the prospective subcontractor with necessary insight to technical requirements, criteria, and unusual requirements or problems which it should consider in preparing its proposal and which will be used to evaluate the offer. The evaluation process will be facilitated by relating the evaluation criteria to the requirements of the RFP.

The company adheres to the Government's expressed policy that a specific quality of service or material be defined, and that award be made to the source capable of providing that quality at the lowest price.

In making a competitive award, the evaluation and reasoning leading to the award will be recorded in the subcontract file. On all competitive procurements, all competing firms will be notified of the outcome of the selection.

2.4.3 Price Establishment Procedures and Subcontract Controls

In order to ensure fair competition between subcontractors and the lowest possible price to the Government while meeting quality and other requirements, we have developed the price establishment procedures and subcontract controls described in the following paragraphs.

A. Price Establishment Procedures

We regard price as an important evaluation criterion in subcontractor selection to the extent that it is fair and reasonable.

As we stated previously, the subcontract award will be made to the source capable of providing the quality at the lowest price. Lowest price is determined by consideration of all factors affecting price, including but not limited to travel, freight, delivery, insurance and taxes. Bidder responsibility is always considered, since inability to perform at a low price may eventually cause disproportionate extra costs. If an award is made to a contractor other than the lowest bidder, the price differential will always be recorded on the Material Quote Worksheet.

To assure lowest price, we will prepare in-house cost estimates on potential subcontract jobs over $500.00. Upon evaluation of the proposals, the subcontractors' costs will be compared with the company's estimated cost for performing the task. After securing at least three bids (whenever possible), a comparative item-by-item cost analysis will be made among the bidders. From this analysis, the company will determine the type of award that will assure the overall best price to the Government. When competition does not yield at least three bidders, the company will incorporate historical data from other programs involving a similar requirement.

We will establish the basic guidelines for price establishment using a comparative analysis of bidders; catalog prices, whenever applicable; and the company's historical data to support the determination of a fair and reasonable price.

Upon determination of any price to be fair and reasonable when adequate competition is not available, the files will be documented to support the determination.

We will always strive for maximum competition to assure best price to the Government. At no time will potential purchases be split to avoid competition.

B. Responsibility for Subcontract Control

The Administration Department will have the responsibility for functional administration and control of subcontracts and for liaison with the subcontractor representatives.

Since the "Contract Document" is considered the key to subcontractor control, we will ensure that this document provides details on every aspect of the work to be performed and how it is to be performed. In addition to the controls provided by a well-defined subcontract, the manager of the department which will use the subcontractor's services will complete a monthly evaluation report such as that shown in Figure 2.4-2 for each subcontractor.

The Administration Department Manager will have procurement authority and will be responsible for the administration and timely modification of all subcontracts.

MONTHLY EVALUATION REPORT FOR SUBCONTRACTORS

PERFORMANCE FACTOR	RAW SCORE 0-100		WEIGHT FACTOR		WEIGHTED SCORE (points)
1. Contractor has demonstrated flexibility and responsiveness to overall support.	_____	X	0.10	=	_____
2. Contractor has provided required planning and scheduling of resources to meet needs.	_____	X	0.10	=	_____
3. Contractor's organization is adequately staffed and properly supervised.	_____	X	0.10	=	_____
4. Contractor has met all reporting requirements in timely and accurate manner.	_____	X	0.10	=	_____
5. Contractor has identified potential problems and provided alternative solutions.	_____	X	0.05	=	_____
6. Contractor's personnel are qualified for assigned positions.	_____	X	0.10	=	_____
7. Contractor has provided efficient utilization of equipment and facilities.	_____	X	0.05	=	_____
8. Contractor has responded to previously noted problems or deficiencies.	_____	X	0.10	=	_____
	TOTAL WEIGHTED SCORE				

REMARKS:

A RAW SCORE OF 70 OR ABOVE = ACCEPTABLE PERFORMANCE
A TOTAL WT SCORE OF 49 OR BELOW IS UNACCEPTABLE (Maximum wt. score possible is 70 points)

Figure 2.4-2 Monthly Evaluation Report for Subcontractors

2.4.4 Performance Surveillance

The Administration Department Manager will work closely with the Army Contracting Office and the subcontractors during the phase-in and early contract performance periods to ensure that:

- Subcontractors are fully aware of the requirements placed on them by their subcontract terms.
- CDRL documents and related report data are organized for timely preparation by subcontractors.
- Operational and customer advice and feedback are considered and utilized when applicable.
- GFP are maintained and used to the greatest benefit of the program.
- Corrective action is taken by subcontractor wherever necessary.

The Administration Department Manager will analyze subcontract cost data for proper expenditure and staffing levels and report results to the General Manager.

Specific subcontractor problems will be given direct attention as each arises. Changes will be incorporated in subcontracts and other schedules, and dated follow-up files will be amended as necessary. Report deliverables from subcontractors will flow through the Administration Department Manager to the information file and to the Government in suitable form. Surveillance data will be monitored as a normal function by the managers.

2.4.5 Corrective Actions Program

Defective performance by subcontractors will be evaluated and recommendations given for corrective actions.

In case of faulty subcontract performance, corrective steps, subject to case-by-case special considerations for particular conditions and for degrees of urgency, will be established as follows:

- Verbal contact with subcontractor management personnel requesting correction of the deficiency noted must be confirmed in writing. Subcontractor responses will be considered for their possible validity.
- Written confirmation of a deficiency will be issued, even if corrective action by the subcontractor is immediate. Such written records may ultimately be necessary for performance reviews or for subsequent special procurement actions.
- If the deficiency continues and subcontractor responses are invalid or nonexistent, the company will issue a "cure notice," requiring correction of the deficiency within a specific period of time. Notices and information will be provided to the Army from this point forward.
- If the deficiency continues and subcontractor corrections are invalid or nonexistent, either a default will be declared by the company, or -- based on judgmental factors -- a "show cause" notice will be issued allowing the subcontractor to present any adverse position (this notice will require a default declaration if the response is inadequate); or -- if the subcontract does not contain an appropriate default clause -- a breach of contract will be declared by the company.
- Reprocurement activities will be initiated immediately whenever default or breach of contract is established. New procurement rules will be followed and any reprocurement cost clause effectivity will result in charges against the defaulted subcontractor.

We fully recognize the need for subcontract administration vigilance and for prompt corrective action when necessary to maintain uninterrupted performance of the subcontracted functions.

2.4.6 Subcontract Management and Administration

We will conduct post-contract reviews on each successful subcontractor and will continuously follow-up and evaluate the progress to make certain the work is proceeding as scheduled.

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The type of progress information and the follow-up required will depend on such factors as the complexity and dollar amount of the procurement, how critical the work is to the program, and prior experience with the subcontractor. Progress reports from the subcontractor are also a tool for evaluating progress. However, if these reports create any doubt that conditions are satisfactory, we will make a thorough investigation. All investigations will be documented to show the actions taken, the prevailing conditions, and recommendations made by our company to the subcontractor. All circumstances will be recorded in the subcontractor's file.

All reports to be submitted will be clearly described in the basic subcontract, including the report due dates. Progress reporting will reflect the work completed, a description of any problems encountered and any other applicable status data.

The Administration Department Manager will ensure that all reports meet requirements and are submitted when due. He will also ensure prompt departmental distribution of applicable reports. He will schedule weekly subcontract status briefings with the General Manager for updating subcontract procurement files and for preparing necessary controlling actions that are dictated by the reported activities.

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2.4.7 Subcontract Plans for Small Business and Small Disadvantaged Business Concerns

Beginning on the following page is our company's Small Business and Small Disadvantaged Business Concerns Utilization Plan. The estimated dollar amounts and percentage of workload to be subcontracted to both Small Business and Small Disadvantaged Business firms will be negotiated upon award of the contract.

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PLAN FOR UTILIZATION

OF

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

(SBSDBC SUBCONTRACTING PLAN)

PREPARED FOR:

CONTRACT NUMBER:

SUBMITTED BY

SUBCONTRACTING PLAN
SUBMITTED IN ACCORDANCE
WITH PUBLIC LAW 95-507

1. Contract Number:

2. Contractor Name:
   Division:

3. Name of Individual completing this Plan:
   Telephone Number:

4. SBSDBC subcontracting goals are as follows:

	Percentage Goals	Estimated Subcontract Cost
Small Business	__% of Estimated Contract Value	________________
Small Disadvantaged	__% of Purchase Parts & Materials	________________
Total Estimated Subcontract Cost		________________

5. The designated individual within the employ of the prime contractor, builder or offeror who will administer the subcontracting program of this contract is

   Name:
   Title:
   Address:
   City, State, Zip:
   Telephone No.:

6. I, the undersigned, a designated officer of ________________, do herewith assure that this concern will include the clause required by this contract in all subcontracts which offer further subcontracting opportunities, and that as the prime contractor we will require all subcontractors (except Small Business concerns) who receive subcontracts in excess of $1,000,000 in the case of a contract for construction of any public facility, or in excess of $500,000 in the case of all other contracts, to adopt a plan similar to this plan. I further assure that as the prime contractor we will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting Federal Agency or the Small Business Administration in order to determine the extent of compliance to this plan.

____
Signature

____
Title

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IV	Key Environmental Factors	8 (21)
V	Establishment of Goals and Timetables	9 (22)
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VIII	Reports, Data, and Internal Audit	13 (25)

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INTRODUCTION

This plan has been formulated to establish goals and steps to be taken to promote maximum utilization of Small Business and Small Disadvantaged Business Concerns (SBSDBC) as suppliers and subcontractors.

The Fort Belvoir Division is a division of the parent Corporation.

Administrative offices are located at Fort Belvoir, Virginia.

The division performs commercial activity functions for the Directorate of Engineering and Housing at Fort Belvoir, Virginia. The division's activities are directed by the Fort Belvoir Division General Manager.

I. STATEMENT OF POLICY ON SMALL BUSINESSES AND SMALL DISADVANTAGED BUSINESSES

Public Law 95-507 defines disadvantaged business enterprises as small business concerns owned and controlled by socially and economically disadvantaged individuals.

Our Small Business and Small Disadvantaged Business Concern subcontracting plan will comply with Public Law 95-507 as implemented by DAR 7-104.14 in its entirety. We recognize it is important that any effort which is intended to meet both a business and social need be founded on firm, sound management practices.

Our management philosophy is to afford competitive opportunities to small/disadvantaged businesses in furnishing goods and services. We are committed to increasing our opportunities for competitive procurement through an expansion of the vendor base with which we deal. The company is committed to the concept of providing equal opportunities to small disadvantaged businesses and all members of management are expected to work toward this goal. We intend to attain a position of leadership and excellence with respect to this important aspect of equal opportunity.

The corporation will include the appropriate DAR 7-104.14 clause entitled "Utilization of Small Business and Small Disadvantaged Business Concerns" in all contracts over $10,000 except contracts for services which are personal in nature.

All solicitations for subcontracts or modifications to contracts (including contracts, amendments, and modifications placed on a sole source basis) will have the appropriate clause from DAR 7-104.14 entitled "Utilization of Small Business Concerns and Small Disadvantaged Business Concerns" if they:

(a) offer subcontracting possibilities or

(b) are expected to exceed $500,000 or $1,000,000 in the case of contracts for the construction of any public facility.

II. DISSEMINATION OF POLICY STATEMENT

The corporation encourages the participation of small business and small disadvantaged business concerns in procurements which are capable of meeting its requirements. Whenever possible, the company arranges solicitations, schedules requirements, quantities, specifications and deliveries in a manner which facilitates the participation of SBSDBCs. A continuing effort is made to identify commodities and services where SBSDBCs are not now being solicited and where participation by additional SBSDBCs may be required. The Fort Belvoir Division will maintain an approved Vendor List which includes the names of all SBSDBCs approved for procurement. The list will be used to select sources for individual procurements. Should we identify a new SBSDBC source, a Quality Control representative may conduct a vendor survey as the first step in approving the vendor.

Our policy is that whenever three sources are requested to quote, no less than one source, wherever possible, shall be a small and/or disadvantaged business concern and whenever more than three sources are requested to quote, not less than one-half of the sources, whenever possible, shall be small and/or disadvantaged business concerns. The specific purpose of these instructions is to solicit small and disadvantaged business concerns on a regular basis.

The corporation manages its purchasing business in the following manner: We procure supplies and equipment when authorized by the contract and the contract is funded for this purpose. The procured items are delivered to the applicable work centers for use.

Each vendor is identified as either a large, small or disadvantaged business concern. This information forms the basis of required quarterly reporting to the Government on Standard Form 295.

Each purchase order issued will be coded to indicate the work center or location and CLIN to be charged for the item. A log will be maintained to record the dollar value and classification of the vendor, providing the data to be included in the SF 295 reports.

III. RESPONSIBILITIES FOR IMPLEMENTATION

________________ has established and conducts a SBSDBC subcontracting program which will enable these concerns to be considered fairly as subcontractors and vendors. In this connection, the company's executive management has designated a SBSDBC Liaison Officer, ____________________. He will report directly to the Fort Belvoir Division general manager, _______________, and will (1) maintain liaison with the government on SBSDBC matters; (2) supervise compliance with the clause and (3) administer the company's SBSDBC program. His telephone number is _________________.

The SBSDBC Liaison Officer will be responsible for:

(1) Providing adequate and timely consideration of the potentiality of small business and small disadvantaged business concerns on all "make or buy" decisions;

(2) Assuring that SBSDBC concerns will have an equitable opportunity to compete for subcontracts, particularly by arranging solicitations, time for the preparation of bids, quantities, specifications and delivery schedules in order to facilitate the participation of SBSDBC concerns. Where the company's

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lists of potential small business subcontractors are excessively long, reasonable effort shall be made to give all such SBSDBC concerns an opportunity to compete over a period of time.

(3) Maintaining records showing whether each prospective subcontractor is a small, large, or disadvantaged business concern. The business survey questionnaire will be used to classify all vendors as large, small or disadvantaged business concerns.

Annual surveys will be conducted by the SBSDBC Liaison Officer to update vendor classifications.

The Administration Department Manager will request that each new vendor complete the Business Questionnaire. When the completed form is returned, he will make the appropriate code entry on the master vendor list, and will then return the form to the SBSDBC Liaison Officer.

(4) Maintaining this procedure, including updates, to comply with the requirements of DAR 7-104.14 as implemented by this plan.

(5) Maintaining records with respect to the letting of any subcontract (including purchase orders) exceeding $10,000 with the following information included:

a. whether the award went to large or small business/small disadvantaged business firm;

b. whether less than three or more than two small business concerns were solicited;

c. the reason for failure of a SBSDBC firm to receive the award if such was the case when SBSDBC firms were solicited.

The records maintained in accordance with item 5 will be maintained in a form the contractor deems appropriate, and the information shall be summarized quarterly.

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(6) Submitting the quarterly commitment report, SF 295, each quarter in accordance with instructions provided on the form.

(7) The Administration Department Manager will notify the Contracting Officer of any bids or quotations required on any subcontract (including purchase orders) in excess of $10,000 if a SBSDBC is to be solicited to provide the Contracting Officer an opportunity to submit names of potential companies. If none are readily available he can provide consent to the subcontract. Such notice will state the company's reasons for nonsolicitation of SBSDBC, and will be given as early in the procurement cycle as possible so that the Contracting Officer may give the Small Business Administration timely notice to permit SBA a reasonable period to suggest potentially qualified small business concerns through the Contracting Officer. In no case will the procurement action be held up when to do so would, in the company's judgment, delay performance under the contract.

(8) Including the "Utilization of Small Business Concerns," in subcontracts which offer substantial small business subcontracting opportunities.

(9) Cooperating with the Contracting Officer in any studies and surveys of the company's subcontracting procedures and practices that the Contracting Officer may from time to time conduct.

(10) Providing the Contracting Officer and the Small Business Office with the names of the subcontractors receiving awards over $500,000.

(11) Coordinating and participating with the Small Business Administration and the DCAS small business utilization specialist to locate capable SBSDBC firms.

The day-to-day operation of this program is assigned to the Administration Department Manager.

IV. KEY ENVIRONMENTAL FACTORS

The Fort Belvoir Division is located in northern Virginia, which has a high percentage non-white population. With the aid of the local Economic Development Director, and local U.S. Government offices and publications, SBSDBC lists will be compiled. These lists will be scanned to determine which SBSDBC can provide services required for the performance of this contract. The services which will be procured for this contract include the following: (To be completed after contract award).

Procurement personnel are directed to use SBSDBC to the fullest extent possible consistent with efficient performance of this contract. The Administration Department Manager will abide by the policy discussed in Section II.

V. ESTABLISHMENT OF GOALS AND TIMETABLES

The Fort Belvoir Division plans to subcontact and/or purchase approximately ___% of the total contract value. The goals set forth below have been established for the utilization of SBSDBCs as subcontractors or suppliers. These goals are stated as a percentage of the total planned subcontracting dollars associated with work under this contract.

A. Planned Subcontracting with SBCs Approximately __% of the estimated contract value

B. Planned Subcontracting with SDBCs Approximately __% of purchased parts and materials

Approximately __% of the small business subcontracting goal will be met by subcontracts and orders placed within ____ days of the contract award. The goal for subcontracting with small disadvantaged business concerns will be filled on a continuing basis. We do not anticipate placing a large percentage of the goal at the beginning of the program. The full goal will not be met until the final months of the contract.

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VI. RATIONALE FOR GOALS

This section presents the rationale involved in the establishment of goals set forth in Section V of this plan.

1.) Small Business

Our goal for small business subcontracting is based on the total estimated cost of the proposed subcontracts for __

____

2.) Small Disadvantaged Business

Our goal for small disadvantaged business subcontracting is based on the assumption that ____ (in value) of the estimated $________ million in repair parts and materials that are to be purchased outside by the contractor over the life of the contract can be obtained from small disadvantaged firms. This is our best estimate at this time for a minimum goal as we have no way of determining what the actual makeup of purchases will be and if they could be assumed by small disadvantaged companies.

VII. ACTION ORIENTED PROGRAM

Our SBSDBC plan has been established because we recognize that the economic development of SBSDBCs is essential to the progressive social and economic development of the U.S.A.

SBSDBCs are for the most part new businesses which may be experiencing some difficulties in administration, management and technical expertise. They may be unfamiliar with the corporate environment and lack experience in marketing their products or services.

In the past, our subcontact specialists and technical personnel have dealt with highly qualified, technically competent and experienced suppliers. In dealing with SBSDBCs, we recognize that the motivation, training and awareness of our personnel is essential to the achievement of our SBSDBC subcontracting goal.

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We intend to achieve this goal by:

1. Attendance of procurement and other affected personnel at SBSDBC trade fairs.

2. Documentation of SBSDBC solicitations on each purchase order transactions.

3. Publication and distribution of policy, procedures, notices, etc., related to procurement from SBSDBCs.

4. Continuous emphasis on procurement from SBSDBs by Administration Department Manager.

5. Maintenance of a continuous training program for both permanent and temporary personnel.

To aid in assuring program success in increased subcontact activity with SBSDBCs, some of the key items considered are the following:

1. Coordination with other elements of the company.

2. Encouragement of our subcontractors to utilize SBSDBC sources.

3. Solicitaion of SBSDBCs for non-subcontracted services that relate to facility maintenance.

4. Surveillance to assure equitable opportunity for SBSDBCs to compete for awards by ensuring that the Administration Department Manager reviews and approves bid and award decisions in accordance with established procedures, and that the SBSDBC Liaison Officer reviews, prior to issuance, all procurements over $10,000.

5. Coordination with the local business community.

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The Administration Department Manager will use the following sources to locate new disadvantaged business concerns:

1. Director of Small Disadvantaged Business (local office) DCASR
2. Trade Fairs
3. Vendor Surveys
4. Local Economic Development Director

VIII. REPORTS, DATA, AND INTERNAL AUDIT

The following reports and data will be available on a timely basis to permit an internal audit.

1. Reports

A monthly report reflecting SBSDBC purchasing activity is submitted to the SBSDBC liaison officer. The quarterly Department of Defense (DoD) report SF 295 will include total dollars committed to small business and small disadvantaged businesses against the Fort Belvoir program, including their percentages to total commitments.

2. Data Available

The value of orders placed with SBSDBCs by subcontractors will be available on a quarterly basis (SF 295). Detailed information is available for each award exceeding $10,000. A monthly report is also available that identifies all purchase orders over $10,000 awarded to SBSDBCs.

The Quality Control Department continually audits each of our vendors to determine their ability to serve the Fort Belvoir Division.

The general manager of the Fort Belvoir Division will audit the entire program to assure compliance with all government requirements.

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2.4.8 Submittal of Standard Form 295, Small Business Report

Complete and accurate records will be maintained in a manner which permits the total amount of purchases made to small disadvantaged business, small business and large business firms to be tabulated pursuant to the quarterly preparation and submittal of Standard Form 295 reports. In addition to the foregoing information, the reports will be designed to accommodate the volume totals for each respective classification of vendors for the same quarter the previous year, the percent increase/decrease in each business classification, and an explanation for the change whenever the percent of change exceeds the standards established by the contract and/or regulatory agencies.

Copies of the report will be forwarded to the Contracting Officer for the following recipients:

1. Local SBA/DCASR Procurement Officer

2. Office of the Deputy Secretary of Defense
   Attention: Director of Small and Disadvantaged
   Business Utilization
   The Pentagon
   Washington, DC 20301

3. Director of Small and Disadvantaged Business Utilization
   Office of the Secretary of the Army
   Washington, DC 20360

TRAINING AND DOCTRINE COMMAND

FT. MONROE, VA

SUBCONTRACTING PLAN

FOR

CONTRACT DABT 56-84-C-0040

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INTRODUCTION

The Company is a service oriented company with corporate offices in Lawton, OK. The Company started out as a small business in 1957 providing a single service of aircraft maintenance for the United States Army at Fort Sill, OK. Today, the Company provides a variety of services including aviation maintenance support, base support, management and planning, and technical training to domestic and foreign customers.

The Company fully recognizes the importance and value of small businesses to the American economy and is especially supportive of the plan for assisting small disadvantaged businesses, women-owned businesses, and labor surplus area concerns. This plan has been prepared to explain how we intend to provide such assistance.

Rex H. Madeira
Chairman of the Board and
Chief Executive Officer

ACKNOWLEDGEMENT OF COMMITMENT

Each of the undersigned affirms his/her commitment to fully support Public Law 95-507, pertinent regulations, and NWASI policies and plans for subcontracting with small and small disadvantaged businesses.

A. L. Charipar
President

W. J. Shaddix
Vice President

R. P. Hooks
Corporate Plan Administrator

C. B. Duggar
Corporate Buyer

EXHIBITS

Number

1. Business Category Certification
2. Corporate Policy Directive Relative to Small Business Subcontracting
3. List of Small Businesses Currently Offering Products and Services Used
4. Vendor Selection Checklist
5. Vendor Selection Procedure

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THE COMPANY
FORT EUSTIS DIVISION
SMALL BUSINESS SUBCONTRACTING PLAN

1. DEFINITIONS

a. Small Business Concern

Reference: Small Business Act

A small business concern, including but not limited to enterprises that are engaged in the business of production of food and fiber, ranching and raising of livestock, aquaculture, and all other farming and agricultural related industries, shall be deemed to be one which is independently owned and operated and which is not dominant in its field of operation. In addition to the foregoing criteria, the Administrator, in making a detailed definition, may use these criteria, among others: Number of employees and dollar volume of business. Where the number of employees is used as one of the criteria in making such definition for any of the purposes of this Act, the maximum number of employees which a small business concern may have under the definition shall vary from industry to industry to the extent necessary to reflect differing characteristics of such industries and to take proper account of other relevant factors.

Specific determinations are made by obtaining a certification from the concerned business (Exhibit 1), referring to Defense Acquisition Regulations Small Business Administration (SBA), and any other applicable, available sources. Hereinafter, small business concerns shall be referred to as small businesses (SB).

b. Socially Disadvantaged Individuals

Reference: PL 95-507

Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

c. Economically Disadvantaged Individuals

Reference: PL 95-507

Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

d. Socially and Economically Disadvantaged Small Business Concern

Reference: PL 95-507

Any small business concern:

(1) Which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

(2) Whose management and daily business operations are controlled by one or more of such individuals.

It shall be presumed that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to section 8 (a) of the Small Business Act.

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Contractors acting in good faith may rely on written representations by their subcontractors regarding their status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

Hereinafter, socially and economically disadvantaged small business concerns shall be referred to as small disadvantaged businesses (SDB). When the term small business (SB) is used, it includes in its meaning SDB.

e. Subcontracts: Contracts, including purchase orders, for obtaining products and services from other vendors.

2. POLICY

a. Government

Reference: PL 95-507

Congress finds that:

(1) The opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons is essential if we are to obtain social and economic equality for such persons and improve the functioning of our national economy;

(2) Many such persons are socially disadvantaged because of their identification as members of certain groups that have suffered the effects of discriminatory practices or similar invidious circumstances over which they have no control;

(3) Such groups include, but are not limited to, Black Americans, Hispanic Americans, Native Americans, and other minorities;

(4) It is in the national interest to expeditiously ameliorate the conditions of socially and economically disadvantaged groups;

(5) Such conditions can be improved by providing the maximum practicable opportunity for the development of small business concerns owned by members of socially and economically disadvantaged groups;

(6) Such development can be materially advanced through the procurement by the United States of articles, equipment, supplies, services, materials, and construction work from such concerns; and

(7) Such procurements also benefit the United States by encouraging the expansion of suppliers for such procurements, thereby encouraging competition among such suppliers and promoting economy in such procurements.

b. The Company

Reference: Corporate Policy Directive 34 (Exhibit 2)

It is a continuing policy of the Company that technically qualified small and small disadvantaged businesses shall be given maximum opportunity to participate in subcontracting programs consistent with accepted principles of efficient management. In addition, the Company is in full policy agreement with the government's program to promote economic opportunity for concerns located in geographical areas of the United States which are experiencing labor surplus problems when such promotion is consistent with accepted principles of efficient management.

In order to lend support to this policy, Company subcontracting procedures and practices shall be in accordance with government regulations as presently defined in appropriate Defense Acquisition

Regulations, NASA Procurement Regulations, and any other applicable regulations.

3. OBJECTIVES

This plan has been prepared to achieve two primary objectives:

a. Certify the Division's commitment to the cause and principle of subcontracting with small and small disadvantaged business.

b. Establish the specific plan for the Fort Eustis Division.

4. ELEMENTS OF THE PLAN

a. Goals

(1) Forecasted Expenditures

The primary goal of the Fort Eustis Division is to award 83% of the value of its total subcontracts to SDB and 9% to other SBs. For FY 1983, it is expected that this will amount to the following:

Total Subcontract amount	$1,178,522
83% to Other SDB	$ 978,626
8% to SB	$ 99,948

(2) Principal Areas To Be Subcontracted

(a) Small Businesses. The principal areas in which small businesses are expected to be able to successfully compete include food services, laundry and dry cleaning, repair parts supply, custodial services, maintenance and repair of cranes, maintenance of small appliances and

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power tools, furniture repair and maintenance of office equipment.

(b) Small Disadvantaged Businesses. Of the areas in (a) above, SDB are expected to be able to successfully compete in food services, laundry and dry cleaning, repair parts supply, custodial services, maintenance of small appliances and power tools, furniture repair and maintenance of office equipment.

(3) Derivation of Goals

These goals are based on forecasted procurements for FY 1983, work load date contained in the RFP, and known capabilities of SB and SDB to satisfy expected procurement requirements.

(4) Indirect and Overhead Costs

Indirect and overhead costs were considered in establishing the subcontracting goals.

(5) Method of Solicitations

Identification of SB and SDB for participation in bids is accomplished through a search of:

(a) Directory of SDB (DCASR-Dallas)

(b) Try Us - National Minority Business Directory

(c) Minority Business Directory - DOD

(d) U.S. Government Purchasing and Sales Directory (SBA)

(6) Potential Subcontractors

A list of potential subcontractors is in Exhibit 3.

b. Plan Administrator - Duties

The Supervisor, Contract Administration and Services is Administrator of the Fort Eustis Division's Small Business Subcontracting Program. His duties include:

(1) Maintaining liaison with concerned government agencies and the Corporate Office's SB plan administrator.

(2) Administering the Small Business Subcontracting Plan in accordance with PL 95-507, and DARs.

(3) Ensuring that Fort Eustis Division's subcontracting policies and procedures are current and consistent with applicable regulations.

(4) Conducting small business program training meeting or otherwise orienting concerned employees to explain policies, procedures, problems, attitudes, and accomplishments.

(5) Providing appropriate support and surveillance to ensure effectiveness of the small business program throughout the Division and taking appropriate action when deficiencies are observed by company or authorized customer representatives.

(6) Ensuring that appropriate records pertaining to SB subcontracting actions are maintained.

(7) Maintaining a reference library of applicable statutes, laws, policies and regulations dealing with SB and SDB subcontracting.

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c. Procedures (Description of Effort)

The following procedures summarize the Company's action in support of the SB and SDB subcontracting program. Detailed actions, responsibilities and controls are specified in the Company's procurement procedures--specifically those dealing with vendor selection (Exhibit 5).

(1) The Fort Eustis Division Buyer will maintain a current listing of small and small disadvantaged businesses providing material and services required (Exhibit 3).

The validity of this list will be maintained by periodically asking vendors to verify their status (Exhibit 1).

(2) Buyers will compare purchase requests with current percentage of goal achievement, delivery requirements, and availability of small business vendors.

(3) Competitive bids will be obtained when required and practical to increase opportunities for small businesses.

(4) A Vendor Selection Checklist will be completed for selected procurements. These summaries provide empirical evidence to facilitate audit of, compliance with, and improvement of the plan (Exhibit 4).

(5) The Plan Administrator will be notified before bids or quotations for subcontracts of $100,000 or more are solicited and he will approve the vendor selection.

(6) Special assistance will be given SB and SDB by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participation of such businesses.

(7) Full consideration will be given to the potentialities of known SB and SDB in all make or buy decisions.

(8) The buyer will regularly review requirements with small businesses. This is done by the buyer maintaining a close working relationship with vendors who have established their competence in fulfilling previous procement requirements. In addition, they will maintain lists of small and small disadvantaged businesses provided by various government agencies such as the Small Business Administration, Department of Defense, and others. However, if the company has difficulty in locating and dealing with sufficient small business to meet its goals, the Plan Administrator will contact the Small Business Administration for assistance in locating qualified suppliers.

Whenever possible, the Fort Eustis Division buyer shall solicit information on newly formed small businesses which can provide materials or services for the Company's requirements.

d. Subcontract Clause

The Company will include the clause entitled "Utilization of Small Business and Small Disadvantaged Business Concerns" where required by Public Law 95-507 and DAR 7-104.14 in subcontracts which offer further subcontracting opportunities. All subcontractors (except small business concerns) who receive subcontracts in excess of $500,000 ($1,000,000 in the case of public construction) will be required to adopt a plan in consonance with this clause (the one referenced in DARs 7-104.14).

e. Reports

Fort Eustis shall submit such periodic reports and cooperate in any studies or surveys as may be required by the Contracting Agency

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or the Small Business Administration in order to determine the extent of its compliance with this subcontracting plan.

These reports are compiled from data contained in the records described in paragraph f. It is anticipated that the following reports will be submitted on a quarterly basis to the Corporate Small Business Plan Administrator:

(1) Vendor Selection Checklist:

A Vendor Selection Checklist must be made for every purchase over $500. The checklist is made out at the time of purchase and if it exceeds $100,000 it must be signed by the Buyer and the Small Business Plan Administrator.

(2) SF-295

The SF-295 reflects the total of all purchases made during the current fiscal year and the dollars amounts and percentages to large, small, and small disadvantaged businesses.

f. Records

The Fort Eustis Division shall maintain such records as are required by customers and government agencies. Currently, the following records are maintained.

(1) Purchase Order Log

A purchase order log is maintained showing date of purchase, purchase order number (the purchase orders are logged in numerical sequence), the vendor, the amount paid and whether the purchase was made to a small business, large business, or small disadvantaged business.

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(2) Vendor Identification

A Business Category Log is maintained showing responses from vendors as to whether they are a small business, large business or small disadvantaged business. If the category of the vendor is unknown, a Business Category Certification form is sent to the vendor at the time of purchase.

(3) Vendor Selection Checklist

A Vendor Selection Checklist is prepared for any purchase over $500. Any purchase over $100,000 requires the Plan Administrator's signature. This checklist indicates whether SB or SDB were solicited and if not why. It also includes the reasons, if applicable, responding SB or SDB did not receive contract.

(4) Purchase Order File

A purchase order file is maintained for each purchase order and contains all documents pertinent to the purchase, such as the purchase request, quotations, and vendor selection checklist.

(5) Source Lists

Lists compiled internally and by external agencies identifying SB and SDB including:

(a) Vendor lists we have compiled based on actual experience (See Exhibit 3)

(b) Directory of SDB (DCASR-Dallas)

(c) Try Us - National Minority Business Directory

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(d) Minority Business Directory - DOD

(e) U.S. Government Purchasing and Sales Directory (SBA)

(6) Outreach Efforts

(a) Lists of organizations, if any, contacted for information about SB or SDB.

(b) Contacts with SB or SDB trade associations

(c) Contacts with business development organizations

(d) Participation in SB or SDB procurement conferences, seminars or trade fairs

5. CONTROL

a. The Division Manager is responsible for ensuring compliance with PL 95-507 and DAR 7-104.14 and related documents as pertains to subcontracting. He is delegated authority to take appropriate action to achieve the goals stated in the plan consistent with pertinent procurement regulations.

b. The Company Administrator of the small business subcontracting program will review the plan annually and monitor its administration.

c. Small and small disadvantaged business subcontracting achievements compared to goals will be a topic in regular operations reports to the Company President.

d. The Company's Internal Operations Audit Program will include review of the effectiveness and adequacy of the Small and Small Disadvantaged Business Subcontracting Plan.

Exhibit 1
2 Mar 82

NORTHROP WORLDWIDE AIRCRAFT SERVICES, INC.

BUSINESS CATEGORY CERTIFICATION

TO: NORTHROP WORLDWIDE AIRCRAFT SERVICES, INC.

ATTN: SMALL AND SMALL DISADVANTAGED
BUSINESS PLAN ADMINISTRATOR

FROM: ______________________________
COMPANY NAME

____
ADDRESS

____
CITY AND STATE

____
PHONE

WE HEREBY CERTIFY THAT THE COMPANY IDENTIFIED ABOVE IS:

A. ☐ A LARGE BUSINESS CONCERN which, generally speaking, is not independently owned and operated, is dominant in the field of operation in which it is bidding on government contracts, and, with its affiliates, employs more than 500 people.

B. ☐ A SMALL BUSINESS CONCERN, which, generally speaking, is independently owned and operated, and, with its affiliates, employs fewer than 500 people.

C. ☐ A SMALL BUSINESS CONCERN, which is at least 51 per centum owned by one or more SOCIALLY and ECONOMICALLY DISADVANTAGED individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals and whose management and daily business operations are controlled by one or more such individuals.

NOTE: "Socially and Economically Disadvantaged" individuals include Black Americans, Hispanic Americans, Native Americans and other minorities, or any other individual found to be disadvantaged by the SBA pursuant to Section 8 (a) of the Small Business Act.

D. ☐ WOMAN-OWNED BUSINESS CONCERN, at least 51 per centum owned by a woman or women who also control and operate it.

E. ☐ A LABOR SURPLUS AREA CONCERN, performing a substantial proportion of a contract in or near sections of concentrated unemployment or underemployment, in persistent or substantial labor surplus areas in the United States.

____
SIGNATURE

____
DATE

NWASI - 683 2 Mar 82

Exhibit 2
Page 1 of 2
2 Mar 82

NORTHROP WORLDWIDE AIRCRAFT SERVICES, INC.

CORPORATE POLICY DIRECTIVE	Number 34 Page 1 of 2
	Effective Date August 11, 1980
Subject SMALL AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PROGRAM	Supersedes July 3, 1978
	Approved

Interfaces: NORCOR PD No. 83

I. PURPOSE

To establish policy to ensure that small and small disadvantaged businesses programs are given equitable consideration and opportunity to provide those services and material the Company requires.

II. POLICY STATEMENT

A. Qualified small business and small disadvantaged business enterprises possessing the required capabilities receive equal opportunity to participate in Company subcontracting programs. In addition, NWASI promotes economic opportunities for firms located in geographic areas with a surplus labor problem, provided this does not conflict with accepted principles of efficient management.

B. In order to lend support to this policy, Company subcontracting procedures and practices are conducted in accordance with government regulations as defined in appropriate Defense Acquisition Regulations (DAR), NASA Procurement Regulations, and any other applicable regulations.

C. Procedures for the implementation and administration of this policy are found in the Corporate Small Business Subcontracting Plan.

III. RESPONSIBILITIES

A. The Manager, Administration is responsible for the preparation of a procedural manual detailing the program required to implement this policy.

B. The President exercises overall supervision, through the Corporate Small Business Plan Administrator, of the various programs necessary in the implementation and administration of this policy.

C. The President is responsible for the appointment of a Corporate Small Business Plan Administrator who administers the Small and Small Disadvantaged Business Subcontracting Program, and Labor Surplus Area Subcontracting Program.

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Exhibit 2
Page 2 of 2
2 Mar 82

D. The Corporate Small Business Plan Administrator provides guidance to division/project managers, ensures that all required Corporate reports are submitted, ensures compliance with PL95-507, DAR, and NASA Procurement Regulations, and maintains liaison with appropriate government agencies on matters pertaining to such programs.

E. Division/project managers are responsible for developing small business subcontracting plans in accordance with PL95-507, for appointing a Small Business Plan Administrator within their respective operations, developing procedures and instructions governing reporting requirements, maintaining cognizance over the Plan, and ensuring overall compliance with this policy.

APPLICABLE TO:

CORPORATE OFFICE
ALL DIVISION/PROJECTS

Exhibit 3
Page 1 of 3

Small Businesses

Food Services

National Business Services Ent., Inc.
910 Sixteenth Street, NW
Washington, DC 20006

ITG International Corporation
900 Eisenhower Boulevard
Harrisburg, PA 17111

Broken Lance Enterprises, Inc.
488 S. Pemberton Road - Box 247
Pemberton, NJ 08068

S&G Services, Inc.
P.O. Box 1550
Dunn, NC 28334

Webbs Full Service Co., Inc.
P.O. Box 1482
Grafton, VA 23692

Aleman Food Service, Inc.
1222 N. Main St. - Suite 700
San Antonio, TX 78212

A.B.C. Food Services, Inc.
P.O. Box 9982
El Paso, TX 79990

Laundry and Dry Cleaning Services

Tri-State Services Company
319 North Sherman
Springfield, MO 65802

TAMP International
1119 Tower Road
Shaumburg, IL 60195

L.F.S., Inc.
211 E. Burnett
Island Lake, IL 60042

Apex International
1827 Smith Street
Orange Park, FL 32073

Alpha Enterprises, Inc.
6170 Beach Boulevard
Jacksonville, FL 32216

Crown Laundry
2906 North Davis
Pensacola, FL 32503

Jets Services, Inc.
2721 Park Street
Jacksonville, FL 32205

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Exhibit 3
Page 2 of 3

Food Services

Arthur A. Fletcher & Associates
516 G Street NW
Washington, DC 20024

Jets Services, Inc.
2721 Park Street
Jacksonville, FL 32205

Kleen-Rite Corporation
700 Main Street
Avon, NJ 07717

Small Appliances

Alco Electric Motor Service
Newport News, VA

Scales

Texarkana Scale Service
Rout 10, Box 223-A
Texarkana, AR 75502
(Labor Surplus Area)

Jack H. Moye & Co.
941 Norfolk Square
P.O. Box 12506
Norfolk, VA

Laundry and Dry Cleaning Services

Arthur A. Fletcher & Associates
516 G Street NW
Washington, DC 20024

Cranes

Crane Operational Services, Inc.
3214 Summit Avenue
Baltimore, MD 21234

Construction/Industrial Safety
Consultants
P.O. Box 34591
Richmond, VA 23234

Mid-Lantic Cranes & Hoists Limited
7962 E. Baltimore St.
Baltimore, MD 21224

Valjar, Inc.
626 Shields Road
Norfolk, VA

Peninsula Truck Center
5600 Chestnut Avenue
Newport News, VA 23605

G & R Metals
5600 Chestnut Avenue
Newport News, VA 23605

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Exhibit 3
Page 3 of 3

Repair of Food Service Equipment

Dixie Equipment Co.
1008 Granby St.
Norfolk, VA

Old Dominion Services
925 W. 21st Street
Norfolk, VA

Eastern Appliance Co.
6262 Sewells Point Road
Norfolk, VA

Law Commercial Maintenance
1518 Hermitage Place
Hampton, VA

Motor Vehicle Repair Parts

McCotter Motors, Inc.
101 Washington Ave.
Titusville, FL 32780

G.M. Auto Supply, Inc.
5720 High Street West
Portsmouth, VA 23703

Exhibit 4
Page 1 of 2
2 Mar 82

NORTHROP WORLDWIDE AIRCRAFT SERVICES, INC.

VENDOR SELECTION CHECKLIST

P.O. NUMBER ____________ ITEM & BRIEF DESCRIPTION ______________________________ RFQ OR PR ____________

VENDOR SELECTED ______________________________ AMOUNT OF CONTRACT/SUBCONTRACT ____________

PART A. SOLE SOURCE SELECTION ($500 OR MORE)

JUSTIFICATION

1. AVAILABILITY ______________________________

2. URGENCY ______________________________

3. SPECIAL EXPERTISE OR PROCESS ______________________________

4. COST ANALYSIS ______________________________

5. OTHER ______________________________

PART B. 1. ☐ COMPETITIVE BIDS $500 TO $100,000

2. ☐ COMPETITIVE BIDS $100,000 OR MORE. (MUST HAVE PLAN ADMINISTRATOR'S SIGNATURE)

VENDOR	CATEGORY.	QUOTE	AWARDEE

NWASI - 753-1 12 Jan 82

Exhibit 4
Page 2 of 2
2 Mar 82

3. SELECTION JUSTIFICATION

_______ LOWEST BID _______ GUARANTEE _______ AVAILABILITY

_______ SPECIFICATION _______ DELIVERY TIME _______ OTHER (SPECIFY)__________

REMARKS ______________________________

4. ☐ Small Businesses ☐ Women-owned Businesses ☐ Small Disadvantaged Businesses
were not solicited because:

A. No known Small Business source.

B. Known Small Business source ruled out for technical, quality, delivery or other justifiable reasons.

C. Follow-on business.

D. Additional funding-major system, etc.

E. Customer or engineering directed source

5. ☐ Small Businesses ☐ Women-owned Businesses ☐ Small Disadvantaged Businesses
were solicited, but award made to large business because:

A. No bids received from Small Business.

B. Small Business bids not competitive.

C. Small Business bid was low, but disqualified because of justifiable reasons.

6. Labor Surplus Area Concerns

☐ Yes ☐ No

DATE BUYER'S SIGNATURE PLAN ADMINISTRATOR'S SIGNATURE

NWASI - 783-2 12 Jan 82

Exhibit 5
2 Mar 82

NORTHROP WORLDWIDE AIRCRAFT SERVICES, INC.

CORPORATE ADMINISTRATIVE PROCEDURE	Number B-3 — Page 1 of 4
	Effective Date February 9, 1982
Subject SELECTING VENDORS	Supersedes April 1, 1980
	Approved Roy B. [illegible]

I. PURPOSE

To provide instructions for selecting vendors for services or materials other than emergencies and those provided for on extended purchase orders.

II. PROCEDURES

A. General

All personnel involved in purchasing functions are responsible for complying with the Anti-Kickback Statute (PL 86-695, Act of September 2, 1960), which applies to all government negotiated contracts. In brief, the Statute prohibits the payment of any fees, commissions, compensation or the granting of gifts or gratuities to an officer, partner, employee or agent of a prime contractor, or of a higher tier subcontractor, in connection with the award of a subcontractor order thereunder (See Corporate Policy No. 14).

B. Develop Specifications

1. New Construction, Modifications or Services

Manager, Administration

Instruct the Corporate Buyer on specifications to be incorporated in the request for Quotation (R.F.Q.) NWASI form 540 (Exhibit 1). Specifications are to include (but not limited to) the following:

(1) Detail outline of work to be accomplished including labor, material, and services.

(2) Outline the sequence (phases) involved to complete the project.

(3) Outline desired payment schedule.

NOTE: The price quoted will be a not-to-exceed price unless changes are negotiated and approved.

(4) State warranty information.

(5) Specify liability terms.

(6) Outline the completion schedule.

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2. Products

Corporate Buyer

Confirm specifications with requestor if necessary.

C. Prepare Request for Quotation

1. Corporate Buyer

a. Select vendors for quotation. Determine if there are any possibilities for the selection of Small Business or Small Socially and Economically Disadvantaged Business. Assure that the applicable concerns have an equitable opportunity to compete, particularly by arranging solicitations, time for preparation of bids, quantities, specifications, and delivery schedule so as to facilitate their participation. The following are several ways in which vendors can be chosen to receive requests for quotation:

(1) Check catalogs for corresponding items.

(2) Research manufacturing registers.

(3) Check vendor source lists.

(4) Use previous experience and knowledge.

(5) Contact the Small Business Administration for possible advice.

b. Forward instructions to the Procurement Clerk for preparing R.F.Q.(s).

2. Procurement Clerk

Prepare R.F.Q.(s) following instructions from Buyer using NWASI form 540.

D. Obtain Quotation

1. Urgent Requirement

Corporate Buyer

Obtain quotation(s) telephonically and record findings on a NWASI 540. Go to step E of this procedure.

2. Routine Requirement

Procurement Clerk

a. Type the request for quotation.

b. Obtain review of request for quotation from Corporate Buyer.

c. Distribute and mail request for quotation.

(1) Mail white and yellow copies to vendor for completion.

NOTE: Vendor retains the yellow copy for his files and returns the white copy for our files.

(2) File the pink copy in the purchase request file.

(3) Suspense for action on required response date.

d. File the white copy of the R.F.Q. in the purchase request file as vendors respond, then destroy the pink copy. If they don't respond, retain the pink copy in the purchase request file.

e. Pull the purchase request file after vendor(s) response time has expired (usually 2 weeks) and forward it to the Buyer for vendor selection.

E. Select Vendor

1. New Construction, Modifications, Services, or Capital Property.

a. Manager, Administration

Review returned bids, select vendor and forward to the Corporate Buyer for Purchase Order Preparation (see Corp. Admin. Procedure 8-4).

b. Corporate Buyer

Prepare a Vendor Selection Checklist, NWASI Form 753-1 and 753-2 (Exhibit 2).

2. Non-Capital Property and Supplies

Corporate Buyer

a. Negotiate with vendors if necessary. Negotiations of a procurement is a mutual determination of the essentials of a purchase order, price, terms, delivery, and inspection. In the absence of competition or basis for price analysis, a negotiated price may be consistent with obtaining the best price for goods or services. Further negotiation may be necessary when more than one quotation has been received and it is concluded that real competition does not exist. Negotiation, then, will be the method utilized in determining price when other methods have produced ineffective results, providing the price falls within the not-to-exceed 10% of the original purchase request price. If it becomes necessary to negotiate, the buyers will conduct such negotiations in accordance with established laws and Company policies and procedures. They will advise management of the intent to negotiate and keep it apprised of actions, progress and results.

b. Complete NWASI 753-1 and 2.

c. Unless instructed to the contrary, the Buyer will make the the award if the purchase is less than $10,000. If the purchase is $10,000 or more, the bids and NWASI Form 753-1 and 2 are forwarded to the Manager, Administration.

III. RESPONSIBILITIES

The Manager, Administration is responsible for this procedure.

IV. CONTROL

This procedure interfaces with:

A. CPD-14
B. Corporate SB Plan
C. Corporate Admin. Procedures 8-1, 8-2, and 8-4.

Admin Proc 8-3
Exhibit 1
8 Feb 82

NORTHROP WORLDWIDE AIRCRAFT SERVICES, INC.

P.O. BOX 108
LAWTON, OKLAHOMA 73502
PHONE (405) 353-2733
TELEX 74-7177

REQUEST FOR QUOTATION

NO. ____________________

DATE ____________________

PLEASE READ CAREFULLY

This inquiry implies no obligation on the part of the buyer.

Unless otherwise specified there are no restrictions on the number of line items that may be ordered.

THIS R.F.Q. MUST BE RETURNED

BY ____________________

TO

THIS IS AN INQUIRY – NOT AN ORDER

ITEM NO.	QTY	PART NUMBER	DESCRIPTION	UNIT PRICE	TOTAL PRICE	DELIVERY

PRICES QUOTED F.O.B. ____________________

TERMS ____________________

THIS QUOTE FIRM FOR __________ DAYS

DATE ____________________

SIGNATURE ____________________

NWASI - 540 2 Mar 81

Admin Proc 8-3
Exhibit 2 Page 1 of 2
9 Feb 82

NORTHROP WORLDWIDE AIRCRAFT SERVICES, INC.

VENDOR SELECTION CHECKLIST

P.O. NUMBER________ ITEM & BRIEF DESCRIPTION________________ RFQ OR PR________

VENDOR SELECTED________________ AMOUNT OF CONTRACT/SUBCONTRACT________

PART A. SOLE SOURCE SELECTION ($500 OR MORE)

JUSTIFICATION

1. AVAILABILITY________________________

2. URGENCY________________________

3. SPECIAL EXPERTISE OR PROCESS________________________

4. COST ANALYSIS________________________

5. OTHER________________________

PART B. 1. ☐ COMPETITIVE BIDS $500 TO $100,000

2. ☐ COMPETITIVE BIDS $100,000 OR MORE. (MUST HAVE PLAN ADMINISTRATOR'S SIGNATURE)

VENDOR	CATEGORY	QUOTE	AWARDEE

NWASI - 753-1 12 Jan 82

Admin Proc 8-3
Exhibit 2 Page 2 of 2
9 Feb 82

3. SELECTION JUSTIFICATION

_______ LOWEST BID _______ GUARANTEE _______ AVAILABILITY

_______ SPECIFICATION _______ DELIVERY TIME _______ OTHER (SPECIFY) ______________

REMARKS ____

4. ☐ Small Businesses ☐ Women-owned Businesses ☐ Small Disadvantaged Businesses
were not solicited because:

- A. No known Small Business source.
- B. Known Small Business source ruled out for technical, quality, delivery or other justifiable reasons.
- C. Follow-on business.
- D. Additional funding-major system, etc.
- E. Customer or engineering directed source

5. ☐ Small Businesses ☐ Women-owned Businesses ☐ Small Disadvantaged Businesses
were solicited, but award made to large business because:

- A. No bids received from Small Business.
- B. Small Business bids not competitive.
- C. Small Business bid was low, but disqualified because of justifiable reasons.

6. Labor Surplus Area Concerns

☐ Yes ☐ No

DATE _______ BUYER'S SIGNATURE _______ PLAN ADMINISTRATOR'S SIGNATURE _______

NWASI - 753-2 12 Jan 82

Subcontract Award Plan

1. Significant Evaluation Factors
    a. Technical Factors
        (1) General Management
            (a) Concept of Operations
            (b) Quality Control
            (c) Cost Accounting
            (d) Procedures
            (e) Training
            (f) Accident Prevention
            (g) Security

        (2) Organization and Staffing
            (a) Key Personnel
            (b) Staffing Plan
            (c) Resumes of Key Personnel and Job Descriptions of Key Positions

        (3) Experience in Contract Support Service
            (a) Like Contracts
            (b) Similar Contracts
            (c) Most Recent 3-Year History

        (4) Adequacy of Phase-In Plan

b. Cost Realism

The type contract will be fixed price. Proposals will be evaluated to assess the degree to which proposed cost accurately reflect proposed performance and allowances for prompt payment.

2. Basis of Award

a. Discussions or negotiations may be conducted with all fully qualified, competitive offerors. Best and final offers will be evaluated against the same criteria as initial offers.

b. Award will be made to the lowest responsible bidder after taking into consideration discount for prompt payment.

3. Representations, Certifications, and Other Statements by Offerors.

To be awarded a contract, offerors selected to submit a "best and final offer" must submit the following representations or certificates:

a. Business Category, i.e., small, large, etc.

b. Certification of Responsibility

c. Certification of Commitment Authority

d. Remittance Address

e. Certification of Nonsegregated Facilities.

f. Liability Insurance

g. Equal Opportunity

h. Affirmative Action

4. Contractual Matters

   a. Standard Company purchase order with additional clauses, terms and conditions as applicable (Section 2 Attachment A).

   b. The contract can be terminated by either party on thirty-day written notice for noncompliance or unsatisfactory performance.

   c. The contract will be contingent on the contract between the Government and the Company for the same service.

TANK AUTOMOTIVE COMMAND,

WARREN, MI

SUBCONTRACTING PLAN

FOR

CONTRACT DAAE 07-84-C-J001

DAAE07-84-C-J001

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SMALL AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN

Since the inception of U.S. Government policies pertaining to the utilization of small and disadvantaged business concerns, Serv-Air has made concerted efforts to fulfill both the spirit and intent of those policies. We have voluntarily responded to these programs by seeking ways to increase the participation of small/disadvantaged business concerns in our contracts to the maximum extent feasible.

We have implemented an affirmative and aggressive program that has continued to comply with the associated requirements of Defense Acquisition Regulations. We are cognizant of and in agreement with the goals of Public Law 95-507, and will comply with the requirements of Paragraphs 7-104.14(a) and 7-104.14(b) of the Defense Acquisition Regulations.

1 UTILIZATION GOALS

Through diligent past efforts on all programs, Serv-Air has awarded as high as 80 percent of the total dollar amount subcontracted in one-year to small businesses and small disadvantaged businesses. Increases beyond this level will be difficult to attain because certain items are not amenable to economical procurement from small or small disadvantaged businesses. Last year Serv-Air subcontracted $871,073 in support of TACOM. Of this, 77.67% was awarded to small business and 19.28% was awarded to small disadvantaged business.

Serv-Air will make a diligent effort to maximize the dollar percentage of goods and services procured from small and small disadvantaged firms. Contracts for continuing services in support of TACOM Support Activity, Warren will be consummated during the phase-in of the contract.

We presently estimate that the five year total value of materials, equipment, and services we will be required to procure in support

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of TACOM for this contract will be $6,012,752. We will strive to match our previous achievements in subcontracting to small and small disadvantaged firms. However, because the specific types and quantities of reimburseable materials we will be required to procure are presently unknown and we have not had the chance to survey the local area for those items, we believe more realistic goals should be established. Therefore, our overall goals for the procurement of goods and services from small and small disadvantaged firms is are follows:

	%	$
- Procurement planned from small business	40	2,405,101
- Procurement planned from small disadvantaged business.	4	240,510

The procurement activity will take place on an as-needed basis. A majority of the items procured will be facility engineering supplies. Serv-Air's policy is to establish many small subcontracts with local firms for the procurement of various parts, materials, and high-usage items by establishing an open purchase order with that firm or having a one-year fixed price subcontract. Our philosophy is that every procurement activity is a subcontract despite the size of that procurement. Small businesses and small disadvantaged businesses will be used whenever practical.

2 PRINCIPAL SUPPLY AND SERVICE AREAS

The principal subcontracting and procurement opportunities in support of TACOM SAW are as follows:

a. Equipment Maintenance Services

(1) Decollator
(2) 3/M Copiers

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(3) Audiovisual Equipment
(4) Boilers
(5) Honeywell Controls
(6) Closed-Circuit TV System
(7) Carbon Dioxide System
(8) Elevators
(9) Gyro Tech. Doors
(10) Alarms

Of this, the audiovisual equipment, boilers, closed circuit TV, alarms, and the carbon dioxide system maintenance are likely candidates for small business subcontracts, as limited by manufacturer warranty requirements; availability, and urgency of the specific requirement.

b. Photographic and Graphic Arts Surge Requirements

This entire area is a small business subcontracting opportunity. In addition, photographic film processing offers a significant subcontracting opportunity to small disadvantaged businesses.

c. Supplemental Groundskeeping and Snow Removal at the Pontiac Storage Facility

We expect to be able to subcontract the groundskeeping and snow removal tasks at the Pontiac Storage Facility to a small disadvantaged firm.

d. Vehicle, Plumbing, Electrical, and Groundskeeping Supplies and Spares

The whole range of Facility Engineering supplies and vehicle repair parts offers highly competitive subcontracting opportunities for both small and small disadvantaged businesses within the local trade area. Except for instances where limited by business warranty

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provisions for spares or where urgency dictates purchase from the source providing the best delivery, the major portion of these items are planned to be awarded to small or small disadvantaged business firms.

e. Paints and Chemicals

Except for bulk purchases, most required paints and chemicals are believed to be readily available from small business organizations.

f. Building Materials and Supplies

We presently plan to purchase all of the required building materials and supplies from small businesses, and estimate that 10% of this total will be obtained from small disadvantaged concerns.

3 SMALL/DISADVANTAGED BUSINESS LIAISON

The Purchasing Agent will be designated as Serv-Air's Small/Disadvantaged Business Liaison Officer for the Support Services Program. He will be responsible for program compliance with acquisition regulations pertaining to the utilization of small and disadvantaged businesses. As a minimum, his duties in this regard will be to:

a. Oversee compliance with the content of this plan;

b. Assist small and disadvantaged businesses added to bidder's lists to ensure that they have maximum opportunity to participate in program procurements;

c. Actively seek out new small and disadvantaged firms from national, regional, and local authorized source lists;

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d. Assist and counsel potential small and disadvantaged firms in U.S. Army and Serv-Air procurement practices and arrange appointments with appropriate procurement personnel;

e. Represent the Company in all small and disadvantaged business activities, interfacing with procurement specialists of the Small Business Administration, DCASR, and other Government representatives of the small and disadvantaged business offices;

f. Prepare and submit reports on small and disadvantaged business subcontracting programs to the Director of Supply, the Serv-Air General Offices, and Government agencies, as directed by Serv-Air policies and contract terms and conditions;

g. Where possible, ensure maximum opportunities are afforded small and disadvantaged firms by extending bid time, extending delivery dates, and otherwise assisting these firms to gain maximum award opportunities;

h. Monitor all major procurement awards to ensure that appropriate contract clauses concerning utilization of small and disadvantaged businesses are included;

i. Coordinate information on small and disadvantaged businesses with the General Offices and other contract sites;

j. Conduct training of appropriate personnel to ensure compliance with the intent of Public Law 95-507 and specific contract requirements (This training will include familiarization with procurement procedures, counseling with suppliers, and Serv-Air Management Regulations which outline Company policy and management's commitment to these programs.);

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k. Cooperate with the Contracting Officer or his authorized representative in conducting surveys or studies required to demonstrate Serv-Air's good faith effort to provide maximum practical opportunities to small and disadvantaged firms consistent with contract requirements; and

l. Participate in program "make or buy" decisions to ensure small disadvantaged firms' capabilities are adequately considered in these sourcing decisions.

4 LARGE SUBCONTRACTS

If Serv-Air activities in the support of TACOM require us to solicit and award a support services subcontract in excess of $500,000 (or in the case of construction subcontracts, $1 million) to a large business, we will require the subcontractors to prepare a Small and Disadvantaged Business Subcontracting Plan in accordance with Defense Acquisition Regulations. Our Small/Disadvantaged Business Liaison Officer will review all such plans submitted by first-tier subcontractors to ensure compliance with these procurement regulations and the intent of Public Law 95-507. He will also audit these subcontracts periodically to measure their progress against the plan.

5 RECORDS AND REPORTS

The Small/Disadvantaged Business Liaison Officer will maintain procurement records that document Serv-Air's total procurement amount for this program and the amounts awarded to small businesses and small disadvantaged businesses. Supporting documentation will include requisitions, purchase orders, vendor bills, payment receipts, and any other certifications normally used to verify the authorization and payment of supplies and services. Summarization and reporting of progress toward plan goals will be accomplished utilizing Standard Form 294, Subcontracting Report for Individual Contracts; Standard Form 295, Summary Subcontract

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title page of this document

Report; Serv-Air's Material Commitment Form; and such other reports as are deemed appropriate and approved by the Contracting Officer. Copies of the aforementioned forms are included as attachments to Serv-Air's Standard Operating Procedure I-D-1, which accompanies this plan and is incorporated therein.

To asure that small and small disadvantaged firms are provided every reasonable opportunity to participate, the Small/Disadvantaged Business Liaison Officer will prepare and update a source list of small businesses and small disadvantaged businesses who are potential candidates to supply equipment, materials, or services. This source list will combine applicable portions of company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, data from the National Minority Purchasing Council Vendor Information Service, information provided by the U.S. Department of Commerce Minority Business Development Agency's Research and Information Division, and the information releases of small business and disadvantaged business trade associations as available. Special emphasis will be placed upon identification of capable small/disadvantaged firms located in the surrounding areas. The Small/Disadvantaged Business Liaison Officer will also maintain a record of the efforts made to identify and award business to qualified small/disadvantaged concerns.

6 STUDIES AND SURVEYS

The Small/Disadvantaged Business Liaison Officer, Director of Administrative Services, and the General Manager will fully cooperate in any studies or surveys conducted by the U.S. Army or the Small Business Administration to determine Serv-Air's compliance with our Small and Disadvantaged Business Subcontracting Plan.

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7 PLAN IMPLEMENTATION

To assure implementation of Small and Disadvantaged Business Subcontacting Plans, Serv-Air management has issued and promulgated Company policies and procedures that implement the requirements of Public Law 95-507 and Defense Acquisition Regulations. The Director of Administration at our General Offices has been designated the Small/Disadvantaged Business Administrator, to coordinate and assist as needed in such efforts. He will provide training and guidance as required to ensure that program site Small/Disadvantaged Business Liaison Officers and other Company personnel involved understand their duties fully, and are aware of the steps to take in assisting small/disadvantaged business in their efforts to compete. He will also regularly review program progress toward plan goals and objectives. In addition, he will assist and ensure that the Purchasing Agent, Director of Supply, and General Manager of the TACOM Support Services Program make a concentrated effort to provide the maximum practical opportunity for small business and small/disadvantaged business to participate in the performance of the program.

Serv-Air's Small and Disadvantaged Business Subcontracting Program is established and guided by Management Regulation 55-10A. For each contract we issue a Standard Operating Procedure which implements the Program at that site, and is tailored to the specific area and requirement. These directives are revised as necessary to ensure compliance with updated directives of the Office of Federal Procurement Policy and appropriate implementing regulations. The current Management Regulation and a typical Standard Operating procedure are reproduced and attached.

SERV-AIR, INC.
A Subsidiary of E-SYSTEMS INC
MANAGEMENT REGULATION

NUMBER 55-10A
Page 1 of 4
Date of Issue 19 April 1982

Subject SMALL AND SMALL/DISADVANTAGED BUSINESS SUBCONTRACTING

101. PURPOSE

To establish the Serv-Air, Inc. policy which requires all contract sites and the Company Central Purchasing Office to provide small and small disadvantaged business enterprises the maximum practical consideration in our procurement activity.

102. GENERAL

Serv-Air, Inc. will continue to conduct a subcontracting program that assures full, adequate, fair, and equitable consideration of small and small disadvantaged business concerns in all purchasing activity. The Director of Administration shall act as Small/Disadvantaged Business Administrator to oversee the development and implementation of Small and Disadvantaged Business Subcontracting Plans and to monitor progress toward stated goals.

The major portion of the company business is involved in contracting with the U. S. Government or participating in U. S. Government sponsored programs as a service contractor. Under these circumstances, contract sites are responsible to the contracting agency to ensure that the policy stated herein is implemented in behalf of the contract.

103. RESPONSIBILITY

The Contract Manager of each contract engaged in Government contract work is responsible for compliance with company policy and U. S. Government directives pertaining to the utilization of small and small disadvantaged business concerns.

104. DEFINITIONS

A "small business concern" shall mean a small business as defined in Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto. A disadvantaged business firm is a small business concern which is at least 51% owned by one or more socially and economically disadvantaged individuals or, in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more socially and economically disadvantaged individuals; and whose management and daily business operations are controlled by one or more of such individuals. Socially and economically disadvantaged individuals shall include Black Americans, Hispanic Americans, Native Americans (i.e., American Indians, Eskimos, Aleuts and Native Hawaiians), Asian-Pacific Americans (i.e., U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, and Taiwan), and other minorities, or any individuals found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small Business Act.

SERV-AIR, INC.
A Subsidiary of E-SYSTEMS INC
MANAGEMENT REGULATION

NUMBER 55-10A
Page 2 of 4
Date of issue 19 April 1982

Subject SMALL AND SMALL/DISADVANTAGED BUSINESS SUBCONTRACTING

105. SMALL/DISADVANTAGED BUSINESS LIAISON OFFICER

Each Contract Manager shall appoint a Small/Disadvantaged Business Liaison Officer who will be responsible to the manager to ensure that known small and disadvantaged firms are afforded every opportunity to receive a fair share of the Company's purchasing activity. The Liaison Officer shall administer the contract Small and Disadvantaged Business Subcontracting Program and will coordinate with interested Government Agencies on matters pertaining to this program.

106. SMALL BUSINESS LISTINGS

To ensure that small business firms, as recognized under the criteria of the Small Business Administration and further defined in the Defense Acquisition Regulations, NASA Procurement Regulations, Federal Procurement Regulations, and other Government Agency Procurement Regulations are afforded ample opportunities to participate in bidding for and receiving of awards for subcontracting, the Central Purchasing Office and contract site procuring activities will establish and maintain comprehensive listings of small business resources.

The listings will be developed from the firms in the general trade area and will be developed and maintained through:

- Utilization of the facilities of the Small Business Administration.
- Dissemination of information regarding business requirements through publicity and advance notice of solicitations.
- Liaison with Federal, State, and local civic agencies to ensure that adequate information and assistance is available to small business firms.
- Respecting the interests of small business firms and forwarding solicitations to all established and qualified potential small business suppliers on the bidders list.

107. SOLICITATION OF SMALL BUSINESS BIDS

In solicitations to small business firms, sufficient time for response must be allotted to permit the small business to study the requirement and prepare a response to the solicitation. When a small business firm needs assistance in interpreting the specifications or conditions of the solicitation, he should be referred to the Small/Disadvantaged Business Liaison Officer for consultation.

SERV-AIR, INC.
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108. DISADVANTAGED BUSINESS LISTINGS

A listing of disadvantaged firms will be compiled by each operating location involved in procurement. The list is to be compiled and maintained from information obtained during personal visits and telephone contacts with suppliers and contractors, contacts with disadvantaged firms and trade associations, and the Small Business Administration office in the contract area of operations.

The potential capabilities of the disadvantaged business firms will be listed as their capabilities relate to the specific needs of the Company. When circumstances require additional evaluation, arrangements will be made for personal interviews with the business representative of the disadvantaged concern.

109. SOLICITATION OF DISADVANTAGED BUSINESS BIDS

Assistance will be provided to ensure that disadvantaged firms are fully aware of the product needed, the imposed delivery schedules, the acceptance inspection procedure, and the method of payment. If a disadvantaged business needs assistance in interpreting the specifications or conditions of the solicitation, they should be referred to the Small/Disadvantaged Business Liaison Officer for consultation. When disadvantaged concerns are capable of supplying the needed material, sufficient time will be provided to allow these firms to respond to the solicitation.

110. RECORDS AND REPORTS

Records of all business conducted with small or disadvantaged business contractors will be retained by the Contract Managers as background information required by the Government and the Company. As a minimum the records will show:

- Solicitations to small and disadvantaged firms.
- Responses to solicitations.
- Reasons for non-response from solicited firms.
- Awards made to small and disadvantaged firms.
- Non Awards - Specific reasons for disadvantaged firms failure to receive the award.
- Award reconciliation: Small and disadvantaged business participation as a percentage of total subcontracting or procurement for the contract.

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Copies of all reports submitted to the Government Contracting Agency will be provided to the Company Small/Disadvantaged Business Administrator. He will issue requests for specific information to satisfy the requirements of the E-Systems Corporate Small/Disadvantaged Business Subcontracting Administrator.

C. E. Eckman
C. E. Eckman
Vice President
& General Manager

This regulation replaces Management Regulation 55-10 dated 29 June 1978 and Management Regulation 55-11 dated 29 June 1978. Please remove and destroy these regulations.

SERV-AIR, INC.
A Subsidiary of E-SYSTEMS INC
STANDARD OPERATING PROCEDURE

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Subject Small Business, Disadvantaged Business, and Labor Surplus Area Subcontracting Programs

PROCUREMENT PROCEDURE

I. PURPOSE

To establish policies and provide instructions which will enable Serv-Air, to comply with the Government Small Business, Disadvantaged Business, and Labor Surplus Area Subcontracting Programs.

II. POLICY

A. It is E-Systems policy to place orders for materials, supplies, and services on all contracts or subcontracts with small business, disadvantaged business, and in labor surplus areas to the maximum extent practicable:

1. When consistent with the efficient performance of contracts, and,

2. When prices are competitive with those obtainable from other concerns.

B. When one division performs the materials function for another division, it is the responsibility of the performing division to carry out the small business responsibilities outlined in this procedure and to keep the division for whom they are performing this service informed in small business matters.

C. Upon solicitation of a new potential source, it is imperative that Procurement personnel determine:

1. Whether each proposed supplier is large or small (based upon the definitions set forth in Section III Below).

2. The proposed suppliers which qualify as disadvantaged businesses as defined in Section III.

3. The current area labor surplus category of each potential supplier for Labor Surplus Program determinations.

III. DEFINITIONS

A. Small Business Concern

A concern that is independently owned and operated, is not dominant in the field of operation in which it is bidding on Government contracts, and, with its affiliates (if any), can further qualify under the criteria set forth in DAR 1-701.1.

Subject Small Business, Disadvantaged Business, and Labor Surplus Area Subcontracting Programs

B. Disadvantaged Business Concern

The term "small business concern owned and controlled by socially and economically disadvantaged individuals", hereafter referred to as "disadvantaged business", will mean a small business concern.

1. Which is at least 51 percent owned by one or more socially and economically disadvantaged individuals; or, in the case of publicly owned business, at least 51 percent of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

2. Whose management and daily business operations are controlled by one or more such individuals. Serv-Air presumes that this includes Black Americans, Hispanic Americans, Native Americans (such as American Indians, Eskimos, Aleuts, and Native Hawaiians), and other minorities, of other individuals found to be disadvantaged pursuant to section 8(a) of the Small Business Act.

C. Labor Surplus Area

The term "Labor Surplus Area" means a geographic area which at the time of award meets the criteria as established in DAR 1-801.2.

D. Labor Surplus Area Concern

The term "Labor Surplus Area Concern" means a business concern which meets the criteria of DAR 1-801.1.

IV. PROCEDURE

A. Small/Disadvantaged Business Liaison Officer (SBLO)

1. The Manager of Materiel will be Serv-Air's Small/Disadvantaged Business Liaison Officer (SBLO). The SBLO will be primarily responsible to see that the Division small/disadvantaged goals and objectives are carried out effectively.

2. To ensure that the maximum practical opportunity for procurement awards is afforded to small and disadvantaged business concerns, the SBLO gives full hearing to each small and disadvantaged business supplier who contacts or is referred to the Serv-Air by the Small Business Administration or the Defense Contracting Agency.

3. Refers the suppliers to the appropriate procurement personnel and follows through on these referrals to assure that they

are given equitable consideration.

4. Maintains Liaison with Procurement Personnel, the Small Business Administration and the cognizant Government Procurement Agency on plans, reports, and activities relating to the Small/Disadvantaged Business subcontracting, policies, and procedures.

5. Prepares the material commitment small business checklist (Attachment C) on all procurements exceeding $10,000, these checklists will be made available to the SBA and DOD representatives for periodic review. The checklist will indicate reason why small/disadvantaged business were not solicited for or awarded procurement in each case.

6. Administers the Geographical reporting of subcontracts as required by Government procurement regulations on applical procurement.

7. Prepares quarterly report of small and disadvantaged program accomplishments on standard Form 295 for the Small Business Administration, Department of Defense, and the Corporate Small/Disadvantaged Business Administrator.

8. Prepares subcontract plans for the prime contracts in excess of $500,000 required by DAR 7-104.14 b and c.

9. Administers the data collection systems to document procurements by individual contract to small and disadvantaged business through the use of the on-line computerized vendor and commitment reporting systems.

B. Procurement

1. When completing a Work Sheet, the person making the procurement will show the appropriate vendor code in the proper block which enables the computer program to record procurements from small/minority business.

2. Cooperates with and makes frequent use of Small Business Administration services and publications as obtained through the Small Business Liaison Officer.

3. Plans procurement consistent with contract requirements in a manner to encourage participation by small business concerns, disadvantaged business concerns, and utilization of concerns, located in labor surplus areas. To encourage small business

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concerns to compete, allowances consistent with contract requirements are made for appropriate economic quantities and reasonable delivery schedules. Applicable specifications, drawings, and other pertinent data are made available to such concerns judged technically and financially competent to fulfill the requirements.

4. Maintains a Prospective Supplier List in addition to commitment records and company records, which identifies small business and disadvantaged business concerns. Rotates invitations to quote, as necessary, to assure adequate opportunity for participation of all listed small businesses and minority businesses.

5. As early in the procurement cycle as possible, Procurement personnel will notify the Small Business Liaison Officer of any procurements on which there is no known small business source. A potentially qualified small business concern will be suggested through the use of the Government Small Business Administration Referral Program. In no case should procurement action be delayed for Small Business Administration action if such delay will affect contract performance.

6. Includes the Utilization of Small Business Concerns clause required in DAR 1-707.3(a) as revised periodically, in subcontracts and purchase orders exceeding $10,000.

7. Include the Small Business Subcontracting Program Clause set forth in DAR 1-707.3(b)and(c),as revised periodically, in subcontracts and purchase orders exceeding $500.00. Notify the Government Contracting Officer of the names of such suppliers when a Government Prime Contract applies to the procurement.

8. Include the utilization of Labor Surplus Area Concerns Clause found in DAR 1-805.3 paragraph (a) as revised periodically, in subcontracts and purchase orders exceeding $10,000.00.

9. Include the Labor Surplus Area Subcontracting Program Clause set forth in DAR 1-805.3 paragraph (b) as revised periodically in subcontracts and purchase orders exceeding $500,000.00 Notify the Government Contracting Officer of the names of such suppliers when a Government Prime Contract applies to the procurement.

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V. FORMS (Attachments)

A. Standard Form 294
B. Standard Form 295
C. Material Commitment Form E-30024-2

VI. REFERENCES

DAR 1-707	Subcontracting with Small Business Concerns
DAR 1-707.1	General - Subcontracting with Small Business Concerns
DAR 1-707.3	Required Clauses - Small Business Subcontracting Program
DAR 1-805	Subcontracting with Labor Surplus Area Concerns
DAR 1-805.1	General Policy - Labor Surplus Area Concerns
DAR 1-805.2	Labor Surplus Area Subcontracting Program
DAR 1-805.3	Required Clauses - Utilization of Labor Surplus Area Concerns
DAR 7-104.14	Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns

Attachment A

SUBCONTRACTING REPORT FOR INDIVIDUAL CONTRACTS *(Report to be submitted semi-annually. See back of form for instructions)*	FORM APPROVED OMB NO. 3090-0052

1. REPORTING PERIOD		2. REPORT NO.	3. TYPE OF CONTRACT	4. DATE SUBMITTED
FROM *(Date)*	TO *(Date)*		☐ PRIME CONTRACT ☐ SUBCONTRACT	

GENERAL INFORMATION

5. AGENCY/CONTRACTOR AWARDING CONTRACT *(Name & Address)*	7. REPORTING CONTRACTOR *(Name and Address)*	
6. PRIME CONTRACT NO. *(And Subcontract No., if applicable)*	8. BUSINESS CLASS. CODE	9. DUNS NO. *(If applicable)*
10. ADMINISTERING AGENCY	11. DATE OF LAST GOVERNMENT REVIEW	12. REVIEWING AGENCY

13. DOLLAR VALUE OF PRIME OR SUBCONTRACT.	14. ESTIMATED DOLLAR VALUE OF COMMITMENTS AS IN PLAN.	15 GOALS	DOLLARS	PERCENT
		a. SMALL BUSINESS CONCERNS		
		b. SMALL DISAD. BUSINESS CONCERNS		

SUBCONTRACT AND PURCHASE COMMITMENTS

COMMITMENTS	THIS REPORTING PERIOD		CUMULATIVE	
	DOLLARS	PERCENT	DOLLARS	PERCENT
16. TOTAL DIRECT SUBCONTRACT COMMITMENTS *(Sum of a & b)*		100		100
a. TOTAL SMALL BUSINESS CONCERNS				
(1) SMALL DISADVATAGED BUSINESS CONCERNS *(% of 16)*				
(2) OTHER SMALL BUSINESS CONCERNS *(% of 16)*				
b. LARGE BUSINESS CONCERNS *(% of 16)*				
17. TOTAL INDIRECT COMMITMENTS *(Sum of a & b)*				
a. TOTAL SMALL BUSINESS CONCERNS				
(1) SMALL DISADVANTAGED BUSINESS CONCERNS *(% of 17)*				
(2) OTHER SMALL BUSINESS CONCERNS *(% of 17)*				
b. LARGE BUSINESS CONCERNS *(% of 17)*				

18. REMARKS:

19. TYPE THE NAME AND TITLE OF THE INDIVIDUAL ADMINISTERING CONTRACT	SIGNATURE	TELEPHONE NO. *(and Area Code)*
20. TYPE THE NAME AND TITLE OF THE APPROVING OFFICER	SIGNATURE	

NSN 7540-01-112-8357 294-101 STANDARD FORM 294 (4-81)
Prescribed by GSA (FPR Temporary Regulation 59)

Attachment B

SUMMARY SUBCONTRACT REPORT *(Report to be submitted quarterly. See Instructions on reverse) (Type or Print)*	FORM APPROVED OMB NO. 3020-0053

ONTRACTING AGENCY		2. ADMINISTERING AGENCY	
.TE OF LAST GOVERNMENT REVIEW	4. REVIEWING AGENCY	5. DUNS NO.	6. REPORT SUBMITTED AS: ☐ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH
7. CORPORATION, COMPANY, OR SUBDIVISION COVERED *(Name, Address, ZIP Code)*		8. MAJOR PRODUCTS OR SERVICE LINES: a. b. c.	

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 ____ through ____________________, 19 ____

COMMITMENTS	CURRENT FISCAL YEAR *(To date)*		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL *(Sum of a and b)*		100		100
a. SMALL BUSINESS CONCERNS				
b. LARGE BUSINESS CONCERNS				
10. SMALL DISADVANTAGED BUSINESS CONCERNS *($ & % of 9)*				
11. LABOR SURPLUS AREA CONCERNS *($ & % of 9)*				

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS					
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS					
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					
13. CONTRACTS WITH SMALL DISADVANT. BUS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS					
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS					
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)*

15. NAME AND TITLE OF LIAISON OFFICER	SIGNATURE	DATE	TELEPHONE NO. *(and Area Code)*
6. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation 59)

Attachment C

MATERIAL COMMITMENT

Vendor Name____________________ Date____________________

Vendor Code____________________ Prime Contract____________________

Amount (Original) $________________ Subcontract____________________

_____ Revision $________________ Task Code____________________

New Total $________________ Brief Description of Goods:

____

____

Award Made To: ☐ Large Business ☐ Small Business
☐ Competitive ☐ Minority Business
☐ Non-competitive

Number of Small Businesses Solicited: ☐ 1 or 2 ☐ 3 or more

1. Awards to Large Business (Mandatory)
   - ☐ Customer Directed
   - ☐ Only Qualified Source
   - ☐ Proprietary or Patented
2. No Known Small Business Source: ☐
3. Small Business Ruled Out For:
   - ☐ Technical
   - ☐ Quality
   - ☐ Delivery
   - ☐ No Bid Received
   - ☐ Bid Too High
   - ☐ Other Justifiable Reasons
4. Follow-On Procurement: ☐
5. Labor Surplus Area Classification: A ☐ B ☐ C ☐ D ☐ E ☐ F ☐

____
Buyer

____
Small Business Coordinator

____
Small Business Liaison Officer

Mr. Hall. Public Law 95-507 was implemented by the Department of Defense through the Defense Acquisition Regulation known as DAR. The Army follows the requirements of the DAR in all its acquisitions.

In fiscal year 1983, the Army awarded 1,860 contracts that contained subcontract plans for a value of $15.6 billion, while in fiscal year 1981 the awards were 1,537 contracts with a value of $11.6 billion. The trend is up as the number and the dollar value of contracts. All contracts awarded in the last 3 years for which subcontract plans were required pursuant to regulations implementing the law, did contain such plans. It is noted, however, that the SBA report to the Congress for fiscal year 1982 cites eight instances of Army contracts as not having subcontract plans.

Four of the eight instances concerned modifications exercising options under contracts which already had plans. Thus no new plans were required for those modifications. Of the remaining four, one action involved a 1975 contract which was modified to include the plan, which was several months later than it should have been. For the remaining three, no subcontracting opportunity existed as determined by the contracting officer.

The SBA report also alleged 71 deficient plans for Army contracts. These areas primarily concern goals and flow down of subcontracting provisions.

The SBA report takes the position that the negotiated goals were "less than maximum practicable opportunity," as viewed by SBA reviewers. We have reviewed each case and found that Army contracting officers, small business specialists, administrative contracting officers, and the SBA procurement center representative participated and/or coordinated in the goal-setting process prior to the contract award. Thus we believe this is a judgmental difference of opinion. Most Army contracts are assigned for administration to DCAS or the other services. The contracts administered by the Army are such as the Government-owned contractor-operated Army ammunition plants, which are 22, Corps of Engineers contracts for construction, three contract aircraft plants which we monitor. In this light, in fiscal year 1983 subcontracts awarded under prime contracts administered by the Army amounted to $1.6 billion, of which $708 million went to small business.

Mr. Mitchell. I'm sorry, what was that figure?

Mr. Hall. I'm sorry, sir?

Mr. Mitchell. Would you repeat that last sentence again?

Mr. Hall. Yes.

In fiscal year 1983, subcontracts awarded under prime contracts administered by the Army amounted to $1.6 billion, of which $708 million, or 43.6 percent, went to small business.

Of that amount, $77.5 million, or 4.8 percent, went to small disadvantaged businesses. With respect to prime contracts administered by the Army and completed in fiscal year 1983, of those which met goals, we had 294.2 percent average small business goal attainment while for small disadvantaged businesses, the attainment was 394.1 percent.

The Army has an active outreach program that includes counseling by Army small and small disadvantaged business utilization specialists, participation and sponsorship of procurement conferences, including those sponsored by the Department of Commerce, Members of Congress, local governments, trade associations, and those sponsored by individual Army commands and installations. During the past 12 months the Army has supported 71 such conferences.

In June 1983, the Secretary of the Army promulgated policy requiring all commanders and managers of purchasing activities to have goal accomplishments included as part of their annual performance appraisal.

Lastly, I want to emphasize that the Army is committed toward doing as much business as possible with small and small disadvantaged businesses. We recognize the importance of such firms to maintain a strong industrial base.

We will continue to make every effort to assure proper implementation of section 211 of Public Law 95-507.

That concludes my remarks, Mr. Chairman.

Mr. **MITCHELL**. Thank you, sir.

If it's all right with you gentlemen, we will hear from all of the panelists first, and then ask questions of the panel.

TESTIMONY OF REAR ADM. JOSEPH S. SANSONE, DEPUTY CHIEF OF NAVAL MATERIAL FOR CONTRACTS AND BUSINESS MANAGEMENT, DEPARTMENT OF THE NAVY

Admiral **SANSONE**. Mr. Chairman, it's a pleasure to be here. I'm Adm. Joe Sansone. I'm Deputy Chief of Naval Material for Contracts and Business Management.

I, too, have submitted the complete text of my statement, and would ask, sir, that it be entered into the record.

Mr. **MITCHELL**. Without objection, your statement will be submitted for the record.

Admiral **SANSONE**. Thank you, Mr. Chairman.

I would, however, like to express a few highlights of my statement that will indicate to the committee that the Navy's small business program is on track and doing better.

I believe that our performance in fiscal year 1983 illustrates that commitment, and during the past year, for example, the Navy posted the largest 1-year increase in small business awards in the history of the Navy's program.

In total, $5.9 billion was awarded to small business on a prime contract basis, nearly a 30-percent growth over the previous fiscal year.

Further, the Navy achieved unprecedented real dollar increases in our small business set-aside awards, small disadvantaged business awards, subcontract awards to small businesses and small disadvantaged businesses and awards to women-owned small businesses as well.

These accomplishments, we feel, can be attributed in part to the positive actions we've taken on about three fronts. First, on a Navy-wide basis the Navy has participated in over 60 conferences throughout the country, working with and counseling small businesses and small disadvantaged businesses on their involvement in doing business with the Navy.

Mr. Chairman, I might add I personally conducted 12 of those conferences, and personally did brief and counsel over 1,300 small business firms myself. As a second initiative, individual Navy commands, have continued to conduct ongoing training, awareness training, at the local level to ensure that our contracting and technical personnel are continuing to be kept abreast of small business program initiatives, and of the importance in broadening the small business industrial base.

Third, at the individual level, it is the Navy policy to include small business program accomplishments as part of the performance evaluations for Navy acquisition personnel, both military and civilian.

To help stimulate competition and small business interest, the Navy requires contracting officers to display all small purchase solicitations in a public place. Our competition percentage for the first 4 months of fiscal year 1984 is 41.3 percent, up from 21.8 percent.

These three initiatives, sir, have been undertaken to foster improvement in competition. Improvements in competition, of course, means that small businesses have greater opportunity for obtaining business.

First, the Navy has established competition advocates in over 150 of our buying activities. Also, the Navy does have a flag rank officer assigned as its Competition Advocate General.

Second, at our Inventory Control Points and Systems Commands, the assignment of additional resources has yielded significant results in the breakout of spare parts for competition and for purchase from small and disadvantaged businesses or the original equipment manufacturers.

Third, implementation of over 100 initiatives in the Navy's multifaceted program called BOSS [Buy Our Spares Smart], has produced measurable results, and accounts for many of our recent accomplishments in our small business and competition programs. With this as background, let me make a couple of comments on Public Law 95-507.

When this act was enacted in 1981, the Navy responded, and responded quickly. We conducted workshops throughout the country for over 1,500 contracting personnel, and since that time we've continued the training programs.

As a result, over the past 3 years only 6 Navy contracts out of 6,580 have been identified by the SBA as not having the required subcontracting plan, or a determination by the contracting officer that the contract did not offer subcontracting opportunities.

Further, in the area of determining prime contract or compliance with approved subcontracting plans, Mr. Chairman, I am just unaware of any instance in which a Navy prime was ultimately in noncompliance necessitating remedial action such as debarment proceedings.

As outlined in my full testimony, Mr. Chairman, there are some data compilation and transmittal problems that make tracking performance against Navy-approved subcontracting plans rather difficult.

I've provided, however, a couple of tables of statistics that do reflect subcontracting performance for awards under the Navy's contract administration cognizance. These statistics continue to bear out the fact that primes are achieving and surpassing their goals.

Public Law 95-507, as implemented within the Navy, has fostered the development of maximum practicable opportunities for small businesses to participate in the performance of prime contracts, and has helped to ensure continuous increases in subcontract awards to small businesses.

There are ways, Mr. Chairman, however, that I feel we can enhance the effectiveness of the administration of subcontracting programs, and I would like to suggest two.

First, I believe we would be more successful in achieving our purpose by negotiating and approving master subcontracting plans with goals on a corporate, company, or subdivision basis, rather than on an individual subcontract plan basis that is currently required.

Efforts expended in developing subcontracting plans for the thousands of individual Federal contracts awarded each year could be devoted or diverted to ensuring compliance, and monitoring the effectiveness of the plans.

The master plans could be approved by the cognizant contract administration office, and reviewed by the Small Business Administration, for after all, these are the two entities that already have the responsibility for monitoring, evaluating, and documenting the contractors' performance, and they do have the corporate knowledge and experience to know if a contractor is satisfactorily carrying out the subcontract provisions of his prime contract.

Second, Mr. Chairman, the terms of these master subcontracting plans could be extended to cover a period up to 3 years, as determined on a case-by-case basis, thereby reducing the burden created by the annual renegotiation of these plans. For those contractors whose line of work, one, does not significantly change over time, or, two, more importantly demonstrate a solid record of continuously improving performance.

Mr. Chairman, that closes my summary of my comments and my prepared statement, and I would be pleased to answer any questions that you may have, sir.

Mr. **Mitchell**. Thank you very much. I do have some questions. I think I would be remiss by not saying it appears that you've made an effort to implement the law.

Admiral **Sansone**. Thank you, Mr. Chairman.

[Admiral Sansone's prepared statement with attachments follows:]

PREPARED STATEMENT OF REAR ADM. JOSEPH S. SANSONE, JR., DEPUTY CHIEF OF NAVAL MATERIAL FOR CONTRACTS AND BUSINESS MANAGEMENT, DEPARTMENT OF THE NAVY

It is a pleasure to appear before your Committee today to discuss the Department of the Navy's implementation of the subcontracting program established under Section 211 of Public Law 95-507.

The Navy's success in actively supporting and fostering the Small Business Program is a matter of record. I believe that our performance in fiscal year 1983 illustrates our solid commitment to the small business community. During the past year, for example, the Navy posted the largest one-year increase in small business awards in the history of the Navy's program. In total, $5.9 billion was awarded to small business on a prime contract basis. This represents a 28.6 percent growth in small business awards over the previous fiscal year. Moreover, the Navy achieved unprecedented real dollar increases in our small business set-aside awards (from $2.3B to $3.2B) and small disadvantaged business awards (from $469M to $621M) during fiscal year 1983. Also, subcontract awards to small businesses and small disadvantaged businesses increased from $1.8 billion to $2.1 billion and from $70.5 million to $86.3 million, respectively. Awards to women-owned small businesses increased from $64.3 million to $104 million. These accomplishments can be attributed, in part, to the positive actions the Navy has taken. For example, the Navy has enthusiastically participated in 25 conferences, cosponsored by members of Congress and our Office of Legislative Affairs, since March 1983, in which over 2,700 small business firms were briefed on "How to do Business with the Navy" in both the prime and subcontract roles. We have 12 more planned during the next three and a half months. Similarily, over the last two years the Navy participated in 47 Federal Procurement Conferences for small businesses, having lead coordination responsibility on 12. At each of these conferences the Navy routinely provided counselors to assist small firms on a one-to-one basis. With regard to motivating and training our small business advocates, since December 1981 the Navy conducted two All-Navy Small and Disadvantaged Business Utilization Conferences in which most of our 171 Small and Disadvantaged Business Utilization Specialists, as well as a large number of contracting officers, met to discuss, in detail, additional ways to improve the Navy's Small Business programs. And just last month the Navy participated in a DoD-Wide Small and Disadvantaged Business Utilization Conference with similar objectives. In addition to these Navy-wide initiatives, individual commands have conducted various training programs at the local level to ensure their contracting and technical personnel are kept abreast of small business program initiatives and of their importance in broadening the industrial base. Also, many of our personnel involved in the acquisition process have a personal interest in the program, not only because they recognize its positive impact on the nation's industrial base, but also because of Navy policy to include small business program accomplishments as part of their performance evaluations. For military personnel, it is an element of their fitness reports and for civilian personnel it is used in annual merit pay decisions pursuant to the Civil Service Reform Act of 1978. Not only are the members of the workforce evaluated but as well Heads of Contracting Activities who are responsible for the attainment of assigned small business and small disadvantaged business utilization goals at their respective activities.

In another initiative, the Navy has gone beyond the Defense Acquisition Regulation (DAR) requirements by establishing regulatory guidance which requires Navy contracting offices to display in a public place all small purchase solicitations in order to stimulate competition and small business interest. Speaking of competition, the Navy's performance is dramatically improving in this area as well, and much of our success can be attributed, I am sure, to increased participation by small businesses in our procurements. Through the first four months of fiscal year 1984 the Navy awarded $1.6 billion more competitively than during the same period in the previous fiscal year. The competition percentage for this period in 1983 was 21.8 percent, and I am pleased to report that it increased to 41.3 percent for the same period in 1984. This improvement will continue during 1984 as the Navy's initiatives continue to gain momentum. Let me discuss for a moment a few of these initiatives First, the competition advocate program which we established in over 150 of our buying activities. The Navy has a flag rank officer assigned as the Navy's Competition Advocate General and during the last eight months we have concentrated our efforts on achieving maximum results. For example, the Navy CAG was successful in negotiating from a large prime the release of proprietary data rights for over 4,500 parts. This will enhance competition and create further opportunities for small business participation. Second, we are concentrating on breakout and competition for spare parts at the Navy Inventory Control Points and Systems Commands. At the Navy's two Inventory Control Points, using the additional resources Navy has dedicated to competition and breakout, we are seeing results; for example, 1,400 spare parts items have been screened, resulting in 40% being broken out to competition and another 17% being broken out to the original equipment manufacturer. Third, the Navy's multifaceted program called Project BOSS (Buy Our Spares Smart) has been implemented and contains over 100 initiatives actively working to improve the procurement of spare parts in the Navy. Positive top-down efforts like these are producing measurable results for the Navy and account for many of our recent accomplishments in our Small Business and Competition programs. I would like to emphasize that we are in the early stages of producing results.

With this as background, I will now provide specific comments on our subcontracting program. The Navy's subcontracting program is conducted within guidelines established by the Department of the Defense (DoD) in its acquisition regulations. In 1981 when Public Law 95-507 was enacted the Navy responded and conducted 12 workshops and seminars nationwide for over 1,500 contracting officers, negotiators, buyers and administrators to ensure proper implementation. Since that time the Navy has continued the subcontracting training program and through this contact with the people that make the subcontracting program work the Navy has some observations on how it can be improved.

In fiscal year 1981, 1,878 Navy prime contracts contained subcontracting plans; in 1982, 2,206; and in 1983, 2,501. Dollar values of these contracts were $17.5 billion, $24.9 billion and $30.8 billion, respectively. Although the Navy has not yet received the SBA Annual Report for fiscal year 1983, of the 6,585 Navy prime contracts awarded during the last three years with plans, only six have been identified by the SBA as not having the required subcontracting plan or a determination by the contracting officer that the contract did not offer subcontracting opportunities. In four of the identified cases the Navy determined that the required plan was either inadvertently omitted from the contract or the required documentation was erroneously omitted from the contract file. Ultimately, the contracts and contract files were modified to correct the identified deficiencies. In the other two cases the responsible contracting offices are taking appropriate actions toward resolution. Although the SBA does not identify in its annual reports the number of plans it reviewed each year on a department or agency basis, it does identify the total number of proposed plans and post-award reviews it made to determine prime contractor compliance with approved subcontracting plans. Of the 12,251 proposed subcontracting plans and 13,658 post-award reviews conducted by the SBA in fiscal years 1981 and 1982, only 107 Navy plans were identified as needing improvement because, in the opinion of the SBA, they did not contain maximum practicable opportunities for small businesses to participate in the performance of the prime contracts. Some of these plans were improved as recommended by the SBA, and the SBA report indicates that some contracting officers may have failed to apprise SBA of final contract actions prior to the end of the SBA reporting period for purposes of their annual reports. For example, the Navy's analysis of the 35 plans identified by the SBA in fiscal year 1982 found that in most cases either the SBA ultimately concurred in the plan or the contracting officer was unable to identify any recommendation calling for improvement. I am aware of no instance in which a Navy prime was ultimately in non-compliance necessitating remedial actions including debarment proceedings.

Subcontract data is compiled and transmitted to the Office of the Secretary of Defense by the DoD component that has contract administration cognizance. For example, a significant number of the Navy's contracts are administered by the other Services, particularly the Defense Logistics Agency, and these contract administration offices compile and transmit subcontract data direct to OSD for Navy primes. Conversely, Navy contract administration offices report subcontract data for prime contractors when the Navy has cognizance of the facility. Therefore, I cannot identify the total dollar value of all subcontracts awarded under Navy prime contracts containing plans, including the percent and dollar value to small and small disadvantaged businesses. Table 1 provides information with respect to all DoD contracts containing plans for which the Navy had contract administration cognizance. Note that the prime contractors consistently increased their dollar awards to both small and small disadvantaged business firms during the last three years even though the goal was not achieved during two of those years. My opinion as to why the goals were not met are twofold. First, economic conditions caused primes to retain in-house, work that was formerly subcontracted out to small businesses because they were trying to retain their own employees. Second, we were ambitious in our 1982 goal based on 1981 performance. The establishment of realistic goals and the achievement of those assigned continues to be the Navy's intent.

Another problem with data collection involves the total number and dollar value of Navy prime contracts awarded in which the performance against the goals recited in the plans are measured. These data are not computer captured. However, such subcontract data on completed DoD contracts for which the Navy had contract administration cognizance is reported by the primes and is centrally compiled and published by the Office of the Secretary of Defense. A summary of such data for the Navy is set forth in Table 2.

When considering all completed contracts in fiscal year's 1981, 1982 and 1983, including both those which did and did not meet goals, the primes that the Navy administered had average goal attainments for small business subcontracts of 124.7, 141.1 and 116.6 percents, respectively. For small disadvantaged business subcontracts, they had average goal attainments of 196.3, 142.2 and 186.7 percents, respectively. This illustrates that overall the primes are achieving and surpassing their established goals.

In summary, Public Law 95-507 as implemented within the Navy, has fostered the development of maximum practicable opportunities for small business to participate in the performance of prime contracts. It has helped ensure continuous increases in subcontract awards to small businesses. The Navy's implementation has not been without cost or the expenditure of time by the contracting workforce. I believe there are ways that the administrative effort can be reduced, and at the same time, we can enhance the effectiveness of the subcontracting program. My suggestions for improving the program are:

First, I believe we could be more successful in achieving our purpose by negotiating and approving master subcontracting plans with goals on a corporate, company, or subdivision basis rather than the individual subcontract plans currently required. By eliminating the subcontracting plans for the thousands of individual Federal contracts awarded each year, more effort could be devoted by both the government and the prime contractor to ensuring compliance and monitoring effectiveness. The master plans should be approved by the cognizant contract administration office and reviewed by the Small Business Administration since these two entities already have the responsibility for monitoring, evaluating, and documenting a contractor's performance, and have the "corporate" knowledge and experience to know if the contractor is satisfactorily carrying out the subcontract provisions of a particular prime's contract. Further, they are in a better position to take corrective action, if necessary, and have better leverage in achieving the desired results than if the responsibility remains fragmented among the Department's contracting officers.

Second, the term for these master subcontracting plans could be extended to cover a period of up to 3 years as determined on a case-by-case basis, reducing the burden created by annual renegotiation of these plans for those contractors whose line of work does not significantly change over time or who demonstrate a solid record of continuously improving performance.

In closing, Mr. Chairman I believe the Public Law 95-507 is good for small business and for the Navy. I also believe that if we refocus our efforts based on our experiences, and take actions as outlined above, we can and will do even better. Finally, let me assure you and members of your Committee that the Navy is and will continue to be active in its support of the Small Business Program.

I would be pleased to answer any questions that you may have.

Thank you.

TABLE 1

Fiscal Year	Total Subcontract	Small Business Subcontract	Percent to Small Business	(Goal)	Small Disadvantaged Subcontract	Percent to Small Disadvantaged
1981	$4.671B	$1.636B	35.0%	(26.8%)	$60.59M	1.29%
1982	6.414B	1.818B	28.4%	(37.5%)	70.53M	1.10%
1983	7.179B	2.138B	29.8%	(32.9%)	86.27M	1.20%

TABLE 2

Small Business Subcontract Awards

Fiscal Year	No. of Contracts	Goal Amount	Achieved Amount	Avg. Goal Attainment	
1981	N/A	$16.2M	$20.2M	124.7%	(8 contracts did not meet the goal by an aggregate of $2.2M)
1982	83	40.2M	56.7M	141.1%	(10 contracts did not meet the goal by an aggregate of $.6M)
1983	43	135.2M	157.6M	116.6%	(8 contracts did not meet the goal by an aggregate of $.6M)

Small Disadvantaged Business Subcontract Awards

1981	80	$1.9M	$3.8M	196.3%	(4 contracts did not meet the goal by an aggregate of $58K)
1982	46	3.6M	5.1M	142.2%	(18 contracts did not meet the goal by an aggregate of $187K)
1983	39	4.1M	7.6M	186.7%	(9 contracts did not meet the goal by an aggregate of $259K)

DEPARTMENT OF THE NAVY
HEADQUARTERS NAVAL MATERIAL COMMAND
WASHINGTON, D.C. 20360

IN REPLY REFER TO

00D1/NH
9 July 1984

From: Chief of Naval Material
To: Chief of Legislative Affairs

Subj: ADDITIONAL INFORMATION FOR 10 APRIL 1984 HEARING ON SUBCONTRACTING

Encl: (1) Information on nine Navy contracts identified by Committee
(2) Information on consolidated contracts
(3) Information on military recruitment advertising contracts

1. Enclosures (1) through (3) are submitted for forwarding to the House Committee on Small Business. The additional information was requested for the 10 April 1984 hearing on subcontracting.

N. HANSON
By direction

Information Requested by
Committee on Small Business
Regarding Nine Navy Contracts
(Committee Letter of April 16, 1984)

A Fact Sheet is attached on each of the nine contracts identified by the Committee and includes the explanation as to why the contracting officers determined the goals were sufficient.

With regard to the inferences that small disadvantaged business goals are omitted more frequently than small business goals from subcontracting plans and that goals for small disadvantaged firms are being set at much too low a level, the following is provided:

(a) Based on a survey of the Navy's major contracting activities, including those that awarded the nine contracts described, these inferences have not been substantiated.

(b) Our findings indicate that both small and small disadvantaged business goals are being included in subcontracting plans as required and there is no indication that either are being omitted.

(c) Admittedly, small disadvantaged business goals are generally set at a lower level than that for small business. This can be attributed to a smaller number of available sources and to the dearth of high technology producers of sophisticated defense hardware among the small disadvantaged business community.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: Planning Research Corporation

2. Contractor address (City, State): McLean, VA

3. Contract No: N00039-81-C-0119

4. Brief description of supplies or services:

Navy Command & Control Systems (NCCS) Software Development and Life Cycle Support

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

The software development effort required specialized experience on a Honeywell system. Further, because of the nature of the work involved, a special, high-level security clearance was required even during the early stages of contract performance. The availability of small disadvantaged business firms that could meet these requirements in the required time frame was uncertain and considered negligible or non-existant at the time of contract award. Although some subcontracts have been awarded to small disadvantaged business firms since the prime contract was awarded, because of the factors noted, the goals were considered reasonable at the time of award.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: GTE Products Corp, Sylvania Systems Group, Western Division

2. Contractor address (City, State): Mountain View, CA

3. Contract No: N00039-82-C-0030

4. Brief description of supplies or services:

AN/WLQ-4 Submarine Based, Automated Electronic Warfare Support Measures System (SEA NYMPH Production Program)

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

The SEA NYMPH Program is, and has always been, a highly classified and accelerated program due to national urgency. Contract N00039-82-C-0030 is the sixth fiscal year production buy of the AN/WLQ-4. Subcontracting sources were established during development and early production contracts. Therefore, the contracting officer accepted and determined as sufficient the proposed small business and small disadvantaged business subcontracting goals based on historical considerations.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: GTE Communications Products Corp, Sylvania Systems Group

2. Contractor address (City, State): Needham Heights, MA

3. Contract No: N00039-82-C-0241

4. Brief description of supplies or services:

Full scale development of the Extremely Low Frequency (ELF) Communications System

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

Based upon an analysis of known small business and small disadvantaged business firms, procedures utilized by the prime contractor to assure maximum participation by such firms, and past history on similar efforts, the goals were considered sufficient.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: RCA Service Company

2. Contractor address (City, State): Cherry Hill, N.J.

3. Contract No: N61339-82-C-0027

4. Brief description of supplies or services:

Test and evaluation of advance undersea weapon systems and weapon system components, the measurement of ship noise and acoustic target strength, the measurement of tactical characteristics of ships (surface and submerged), the calibration of developmental and operational sonar systems and transducers, test of sonobuoys and other detection-localization-classification systems and transducers, and the evaluation of anti-submarine attack effectiveness of aircraft, surface ships and submarines in tactical training exercises.

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

Based on experience with a previous contract for these services (N61339-77-C-0052), established goals were considered realistic. In establishing these goals, the complexity of the equipment used in the operation of the Andros Underwater Test Range and the nonavailability of the required equipment from other than large business concerns were also considered.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: RCA Corporation, Government Systems Division

2. Contractor address (City, State): Moorestown, NJ

3. Contract No: N00024-83-C-5116

4. Brief description of supplies or services:

AEGIS Weapon System Production for AEGIS Cruisers CG's 54, 55, 56

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

Of the total dollars planned to be subcontracted, RCA must subcontract to Raytheon the fire control portion of about $107 million. Of the remainder, a small business concern is sole source for certain power supplies, which totalled about $23 million. It is only over the remaining $48 million that RCA has control for the purpose of finding small disadvantaged business firms who are qualified.

For fiscal year 1982, the Defense Logistics Agency found the contractor's program for finding such firms so aggressive that RCA received an award therefor. Given that RCA proposed to triple such awards in its 1983 contract (over actual dollars awarded in its 1982 contract), the goals were considered sufficient.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: General Dynamics Corporation, Electric Boat Division

2. Contractor address (City, State): Groton, CT

3. Contract No: N00024-81-C-2134

4. Brief description of supplies or services:

Construction of OHIO Class submarines: SSBN's 734, 735 and 736

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

The Contracting Officer considered the goals sufficient based on prior achievement of the contractor and the fact that the majority of the total anticipated subcontracted dollars are for items such as hull steel, missile tubes and major shipboard systems that are beyond the capacity/capability of small business. The cognizant Small Business Administration Procurement Center Representative recommended acceptance of the goal, as well.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: McDonnell-Douglas Company

2. Contractor address (City, State): St. Louis, MO

3. Contract No: N00019-81-C-0157

4. Brief description of supplies or services:

FA-18A Aircraft

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

The goals were developed by identifying known large, small and small disadvantaged sources. If actual sources were not known, historically developed ratios were applied to the various categories of requirements to develop estimates of small and small disadvantaged business participation. Overhead costs were applied to this program. Allocations to small and small disadvantaged categories were based on historical data.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: McDonnell-Douglas Company

2. Contractor address (City, State): St. Louis, MO

3. Contract No: N00019-81-C-0497

4. Brief description of supplies or services:

AV-8B Aircraft

5. Brief narrative explaining why the contracting officer determined the goals were sufficient:

Due to the complexity of the aircraft, a substantial portion of the subcontract dollars are for highly sophisticated avionics whose production requires substantial investment. Few small business and small disadvantaged business firms have the resources for such an investment. This limits the work available for subcontracting to these firms, primarily in the categories of castings and forgings, raw materials, machined parts, and small dollar Contractor Furnished Equipment (CFE). The goals represent a significant portion of the amounts actually available and were accepted as sufficient on that basis.

FACT SHEET

Small Business and Small Disadvantaged Business Subcontracting Plan Goals

1. Contractor: McDonnell-Douglas Company

2. Contractor address (City, State): St. Louis, MO

3. Contract No: N00019-82-C-0501

4. Brief description of supplies or services:

FA-18A Aircraft Weapon System

5. Brief narrative explaining why the contracting officer determined the goals were sufficient.

The goals were generated by identifying known large, small and small disadvantaged sources. If actual sources were not known, historically developed ratios were applied to the various categories of requirements to develop estimates of small and small disadvantaged business participation.

Responses to Questions Submitted for the Record
Regarding Consolidated Contracts
(Committee Letter of April 30, 1984)

1. Question: How many consolidated contracts have you awarded over the past 2 years?

Answer: The Navy awarded 14 consolidated contracts during the period June 1, 1982 through May 15, 1984. (Consolidated has been deemed to mean that two or more Commercial Activities (CA) type functions are contained in the contract for purposes of this response).

2. Question: How many consolidated contracts have been awarded since the issuance of revised OMB Circular A-76?

Answer: Revised OMB Circular A-76 was issued on August 4, 1983. Since that time seven consolidated contracts have been awarded by the Navy (five to small businesses and two to large businesses). It should be noted, however, that the Department of Defense (DoD) implemented Parts II, III and IV of the Supplement to the revised A-76 Circular on March 20, 1984 and the Navy followed with its implementation of these parts on March 27, 1984. Since then the Navy awarded one consolidated contract. The Circular itself, and Part I of the Supplement entitled "Policy Implementation" which contains guidance with respect to small and small disadvantaged businesses, have not yet been formally implemented within DoD.

3. Answers with respect to questions on each consolidated contract are attached.

Enclosure (2)

CONSOLIDATED CONTRACTS AWARDED BY THE DEPARTMENT OF THE NAVY

1 June 1982 - 15 May 1984

CONTRACT NUMBER	NAME & ADDRESS OF CONTRACTOR	CONTRACT VALUE (1)	SIZE STATUS OF CONTRACTOR (2)
N62467-82-C-0010 (NAS Whiting Fld, FL)	RCA Base Support Services, Inc. Route 38 Cherry Hill, NJ 08358	$ 13,275,646 (36 months, which includes prepriced options for CA study)	Large
N62467-82-C-2584 (NTC Orlando, FL)	Crawford Tech., Inc. 8140 Mopac Expressway West Park 2, Suite 240 Austin, TX 78759	$ 461,497	Small
N62474-82-C-0051 (NWC China Lake, CA)	Pan Am World Services, Inc. Ridgecrest, CA	$ 4,638,000 Option Yr (1) 4,616,901 Option Yr (2) 4,649,836	Large
N62467-82-C-0637 (NAVSHIPYD Charleston, SC)	Contract Services, Co., Inc. 7829 Bayberry Road Jacksonville, FL 32216	$ 4,905,321 (36 months, which includes prepriced options)	Small
N62467-83-C-2804 (NAVCOASTSYSCEN Panama City, FL)	Argus Services 330 West 23rd St. Suite J Panama City, FL 32405	$ 282,176	Small
N62467-82-C-0053 (NAS Memphis, TN)	RCA Base Support Services, Inc. Route 38 Cherry Hill, NJ 08358	$ 27,993,176 (51 months, which includes prepriced Options for CA study)	Large

CONSOLIDATED CONTRACTS AWARDED BY THE DEPARTMENT OF THE NAVY (CONTINUED)

1 June 1982 - 15 May 1984

CONTRACT NUMBER	NAME & ADDRESS OF CONTRACTOR	CONTRACT VALUE (1)	SIZE STATUS OF CONTRACTOR (2)
N00014-83-C-0398 (NRL Washington, DC)	Frank E. Basil, Inc. 1899 L Street, N.W. Washington, D.C. 20036	$ 2,152,276 (36 months, which includes prepriced options)	Large
N62467-83-C-2260 (NAS Cecil Fld, FL)	B&D Service Co. 6738 Cherbourg Ave. N. Jacksonville, FL 32205	$ 991,027	Small
N62467-83-C-2921 (NAVSTA Mayport, FL)	East Coast Support Services, Inc. 500 N. McPherson Church St. Fayetteville, NC 28303	$ 1,489,500	Small
N62472-83-C-0899 (NAVSHIPYD Philadelphia, PA)	Contract Services Co, Inc. Jacksonville, FL	First Yr $1,502,689 Total $4,508,067	Small
N62472-83-D-6109 (PWC Great Lakes, IL)	Emerald Maintenance, Inc. Sand Point, Idaho	First Yr $1,244,955 Total $5,635,438	Small
N62474-83-C-6259 (NAS Moffett Field, CA)	Al Star Maintenance, Inc. Ranch Santa Fe, CA	$ 253,180	Small

CONSOLIDATED CONTRACTS AWARDED BY THE DEPARTMENT OF THE NAVY (CONTINUED)

1 June 1982 - 15 May 1984

CONTRACT NUMBER	NAME & ADDRESS OF CONTRACTOR	CONTRACT VALUE (1)	SIZE STATUS OF CONTRACTOR (2)
N00014-84-C-0210 (NRL Washington, DC)	ARA Services, Inc. Independence Square West Philadelphia, PA 19106	$ 2,710,495 (36 months, which includes prepriced options)	Large
N62467-84-C-0001 (SUBASE Kings Bay, GA)	Federal Electric Corp. 621 Industrial Ave. Paramus, NJ 07652	$ 20,467,536 (39 months, which includes prepriced options)	Large

NOTES: (1) Indicates dollar amount of contract including options, if considered in the evaluation for award.

(2) See pages 4 and 5 for additional data on consolidated contracts awarded to large businesses.

ADDITIONAL DATA FOR LARGE BUSINESS CONSOLIDATED CONTRACT AWARDS

CONTRACT NUMBER/ SUBCONTRACTING PLAN	NUMBER/DOLLAR AMOUNT OF ADDITIVE CHANGES ISSUED PURSUANT TO CHANGES CLAUSE	NUMBER/DOLLAR AMOUNT OF MODIFICATIONS FOR ADDITIONAL WORK (DD FORM 350)	NUMBER OF PREVIOUS SMALL BUSINESS CONTRACTORS AND DOLLAR VALUE OF CONTRACTS
N62467-82-C-0010 (NAS Whiting Fld, FL) (See Tab A for Plan)	None	None	None. CA Cost Study conversion with no existing contracts combined with in-house BOS functions.
N62474-82-C-0051 (NWC China Lake, CA) (See Tab B for Plan)	8 for $846,286	1 for $4,292,335* (* Exercised Option Year 1)	None. Services provided by station forces. Functions combined were housing maintenance, transportation operations and maintenance, and supply services.
N62467-82-C-0053 (NAS Memphis, TN) (Solicitation issued 23 March 1982) (See Tab C for Plan)	11 for $44,028	3 for $518,856	CA Cost Study conversion, which included the functions performed under 3 small business contracts with a total value of approximately $315,000. Functions combined were elevator maintenance, grounds maintenance, and cooling tower water treatment.

ADDITIONAL DATA FOR LARGE BUSINESS CONSOLIDATED CONTRACT AWARDS (CONTINUED)

CONTRACT NUMBER/ SUBCONTRACTING PLAN	NUMBER/DOLLAR AMOUNT OF ADDITIVE CHANGES ISSUED PURSUANT TO CHANGES CLAUSE	NUMBER/DOLLAR AMOUNT OF MODIFICATIONS FOR ADDITIONAL WORK (DD FORM 350)	NUMBER OF PREVIOUS SMALL BUSINESS CONTRACTORS AND DOLLAR VALUE OF CONTRACTS
N00014-83-C-0398 (NRL Washington, DC) (See Tab D regarding Plan)	1 for $31,528	None	None. All functions were performed by Government employees prior to award.
N00014-84-C-0210 (NRL Washington, DC) (See Tab E regarding Plan)	None	None	None. All functions were performed by Government employees prior to award.
N62467-84-C-0001 (SUBASE Kings Bay, GA) (See Tab F for Plan)	None - Contract commences 1 July 1984	None	One BOS contract for approx. $8 million. Awarded to a small business firm in Sep 80 for $5,182,503. Two options exercised and contract was extended an additional 9 months through 30 June 1984.

4.

N62467-82-C-0010

Subcontracting Plan
In Accordance with PL95-507

1. Solicitation Number: N62467-82-C-0010
Southern Division
Naval Facilities
Engineering Command
2144 Melbourne St.
Charleston, S.C. 29411
Attn: M. Howard
Term: 1 Yr. Plus Two 1 Yr Options

2. Contractor Name: RCA Base Support Services, Inc.
A Subsidiary of RCA Corporation

3. Name of Person Completing Plan: E.P.White
Telephone No: (609) 338-6518

4. Total Estimated Cost of Proposal: $4,418,234 Per Year

5a. Total Estimated Value of Subcontract: $1,135,936 Per Year

5b. Goals:

Small Business - 71.6% $813,856.00
Small Disadvantaged Business -3.5% $ 40,000.00

5c. This contract contains a $696,000 set aside for small local firms to perform sub-contracts in excess of $2,000; $402,971 for material and $36,965 for a pest control sub-contract.

The $696,000 in subcontracts will cover as yet unidentified minor construction and alteration work, equipment installation work and major repairs.

The $402,971 will cover materials, supplies, parts for the office, fire department, motor pool, shops, utilities and pest control.

The $36,965 will cover the services for pest control at Whiting Field.

Upon identification of the various tasks we will locate and contact the appropriate vendors to give them the opportunity to compete for the subcontract.

6. The designated employee within the employ of the contractor bidder or offeror who will administer the subcontracting program of this proposal is:

Name:	E. P. White
Title:	Administrator, Government Subcontracts
Address:	RCA Service Company Bldg. 203-1, Route 38, Cherry Hill, N.J. 08358
Telephone:	609-338-6518
(Duties):	See Attachment 2.

7. Attachments 1 and 2 and associated procedures describe the efforts that will be taken to ensure that small business and small disadvantaged business concerns, owned and controlled by the socially and economically disadvantaged, will have an opportunity to compete for any subcontracts that pertain to this proposal.

8. Attachment 3 and associated procedures provide a recitation of the types of records RCA will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source listing of small and economically and socially disadvantaged business concerns, and efforts to identify and award subcontracts to such business concerns as they pertain to this proposal.

9. I, the undersigned, and authorized Agent of RCA Base Support Services, Inc. assure that as prime contractor, RCA will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by RCA with this plan.

F. J. Hanson
Authorized Agent

SUBCONTRACTING PLAN
PUBLIC LAW 95-507

ATTACHMENT 1

RCA officially created a Minority Business Enterprise Program in 1970. It is managed by the Director of Government Procurement Programs (a Corporate Staff position) who serves as the Corporate Minority and Small Business Liaison Officer.

Each RCA Division and business operating unit has a minority and small business coordinator who administrates the local programs within the Corporate framework and guidelines (RCA Corporate Policy 22109 and Purchasing Instruction C-12007, and integral part of the Corporate Purchasing Manual.) (Copies Attached)

To further ensure an innovative and productive program, a nine-member RCA Minority Business Advisory Group was created. It is comprised of three Corporate Executives and six Divisional Purchasing Executives who meet three times a year to:

(1) Review and establish policy;
(2) Submit suggestions which may improve performance;
(3) Develop promotional and award programs; and
(4) Review and develop goals.

The committee also assigns a business goal to each division and business unit purchasing activity. These goals are monitored (on a monthly basis) at the corporate level to ensure that the established goals and objectives are met.

To further ensure the desired results, RCA is a National Member of the National Minority Purchasing Council. The Minority and Small Business Coordinator is a member of the Regional Minority Purchasing Councils located in New York, Boston, Philadelphia, Pittsburgh, Indianapolis, Los Angeles and Harrisburg. The RCA Corporate Small and Minority Business Liaison Officer is a member of NMPC's Executive Board and Board of Directors.

RCA's system has consistently produced an increase in the amount of business annually done with Small and Minority Businesses.

SUBCONTRACTING PLAN
PUBLIC LAW 95-507

ATTACHMENT 2

RCA Service Company will assign E. P. White as Minority and Small Business Coordinator for this contract. RCA also will take the following steps to ensure maximum participation of disadvantaged small businesses:

- Ensure that an adequate list of potential sources is available to each buyer.
- Review all major procurements (over $2,500) to ensure that small and socially and economically disadvantaged businesses are included in the bid list.
- Maintain membership in the National Minority Purchasing Council and other volunteer organizations and to seek new potential sources.
- Review progress (on a monthly basis) with the Manager of Materials and the Coordinator.
- Furnish management assistance to those businesses needing assistance in becoming qualified suppliers.
- As part of RCA's established practices, training programs, seminars, workshops, and other activities related to the use of Small and Small Disadvantaged Businesses will be scheduled during the term of the contract.

RCA will pass down the required clauses as stated in the applicable Defense Acquisition Regulations in all subcontracts which offer further subcontracting opportunities.

During the course of the program we will continue to seek other qualified firms to support RCA, depending on task assignment and required specialties.

RCA will request and utilize the Small Business Administration's "Procurement Automated Source System" in order to locate and develop the maximum amount of Small Businesses and economically and socially disadvantaged suppliers for materials or services to meet our requirements.

ATTACHMENT 2
(CONTINUED)

Duties of the Minority and Small Business Coordinator:

A. Inform and assist Buyers in locating and using appropriate small and small disadvantaged business sources of supply.

B. Responds to inquiries from potential vendor and ensures they are brought together with Buyers and other appropriate people who may be able to employ their products and services.

C. Reviews subcontract potential for small and small disadvantaged business partitipation on specific contracts.

D. Participates in make-or-buy decisions and identifies maximum practical opportunities for these firms.

E. Participates in establishment of relevant subcontract goals and monitors performance.

F. Collects data and reports on achievements as required.

G. As RCA's representative, attends monthly National Minority Supplier Development Council (Formerly Minority Purchasing Council) Meetings, attends Trade Fairs, & Seminars for small and small disadvantaged business concerns.

H. Assists in development of seminars that cover updating of Public Law 95-507 requirements and programs to assist Buyers in expanding contracts with small and small disadvantaged business concerns.

I. Reports to Mr. V.R. Giacoboni, Director of Purchasing for RCA Service Company, who is an active member of RCA Corporation's Minority Business Advisory Group.

SUBCONTRACTING PLAN
PUBLIC LAW 95-507

ATTACHMENT 3

The Government contracts of RCA Service Company are under the cognizance of Defense Contract Administration Services Region (DCASR) in Philadelphia, Pennsylvania. DCASR maintains a branch office in Moorestown, New Jersey. Mr. F.P. Battaglini, as Administrative Contracting Officer in this office, administers RCA contracts, subcontracts, and purchasing. The ACO reviewed the following RCA Service Company procedures and approved them on the date indicated.

Property Control Procedures	3 August 1976
Purchasing System (including Purchase Orders and Subcontracts)	1 August 1980
Small Business and Labor Surplus Area Subcontracting Programs	15 September 1981

RCA will submit quarterly reports to the Contracting Officer, and/or others so specified, on purchases from disadvantaged concerns. These will be compared with the negotiated goals set forth in the contract. Any particular problems which may cause concern will also be reported to ensure that RCA is in compliance with the contract requirements.

RCA will maintain the following records:

- o Number of disadvantaged businesses solicited.
- o Number of disadvantaged business bids rejected together with the rationale for the decision.
- o Number of orders, including dollar volume, awarded during the performance of this contract.
- o Monthly measures of purchases measured against contract goals.

ATTACHMENT 3
(CONTINUED)

- Listing of all known disadvantaged businesses, subdivided into commodity classifications.

- Monthly reports to RCA Corporate Staff.

- RCA will comply with all other reporting requirements of DAC-76-24, paragraph 7-104.14(b) (6).

- RCA Purchasing Activities shall submit monthly reports stating the number of orders/subcontracts and total value of them, including categorization by Small and Small Disadvantaged Businesses, plus identification of vendors. Also recorded shall be a summary of efforts expended to locate and utilize Small and Small Disadvantaged vendors. This information will form the basis of complying with PL95-507 requirements, use in SBA reviews and the development of source lists. Existing source lists, such as RCA's, PSAS, SBA's Pass and the Minority supplier development councils vis, will be augmented accordingly.

RCA Policy

Number
22109

Approved
1/2/79

Supersedes
Initial

Subject

RCA MINORITY BUSINESS ENTERPRISE PROGRAM

POLICY

1. This Policy reaffirms RCA's longstanding commitment to ensure that minority-owned businesses have an equal opportunity to compete for a fair and equitable portion of RCA's purchases.

    a. A minority business enterprise is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantages may arise from cultural, racial, chronic economic circumstances or background, or other similar causes. Such persons include, but are not limited to, Blacks, Orientals, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts. Minority business enterprises in Hawaii, Puerto Rico, and Guam qualify under this definition.

    b. These purchases include not only the materials and services normally purchased by the Purchasing activity, but also include such services as are required for advertising, banking, insurance, consulting, marketing, personnel services, etc.

2. RCA Corporation, its divisions and subsidiary companies, will aggressively seek out minority owned business and as appropriate assist and counsel them in becoming qualified suppliers of goods and services. The use of minority owned businesses will be encouraged at all levels of RCA business activity where specific decisions are made regarding the purchase of goods and services.

3. Corporate Materials is responsible for overall direction and monitoring of the RCA Minority Business Enterprise Program in accordance with instructions in the RCA Purchasing Manual. Corporate Materials will coordinate this program with the Corporate Community Relations Program and the Government Relations Program.

4. Each Major Operating Unit will actively promote the RCA Minority Business Enterprise Program among its executives, requisitioning functions and purchasing personnel. Each unit will develop and monitor goals and specific programs designed to increase purchases from minority businesses.

5. Purchases under Government contracts will be handled in accordance with applicable government regulations and directives.

RESPONSIBILITIES

6. In coordinating the Minority Business Enterprise Program, Corporate Materials will be guided by RCA Policy 22101, Purchasing, and will:

   a. With the assistance of the Major Operating Unit, develop guidelines, goals and action plans to meet Program objectives.

   b. Assist Major Operating Units in advancing this program, working with the Minority Business Enterprise Program Coordinator in each unit.

   c. Revise program instructions to the RCA Purchasing Manual.

   d. Work with other RCA Staff activities as appropriate to assure coordination of the program with RCA's Community Relations and Government Relations Programs.

   e. Develop periodic reports on program performance for the information of RCA Executives and Major Operating Unit management, and the Purchasing community.

IMPLEMENTATION

7. Each Major Operating Unit will:

   a. Assign a Minority Business Enterprise Coordinator to direct the unit's program and to work with Corporate Materials.

   b. Be guided by Purchasing Procedure C-12007 in the RCA Purchasing Manual.

   c. Issue internal procedures, if required.

   d. Provide statistics and other information on program performance.

8. The Staff Vice President, Materials, will provide any interpretation of this policy that may be required.

RCA
Purchasing Manual

Number
C-12007
Issued
2/28/79
Supersedes
3/23/77
Page
1

Subject
MINORITY BUSINESS ENTERPRISE PROGRAM

In accordance with RCA Policy 22109, this instruction describes RCA's policy and procedure regarding purchases from minority business enterprises.

A. DEFINITION

A minority business enterprise is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantages may arise from cultural, racial, chronic economic circumstances or background, or other similar causes. Such persons include, but are not limited to, Blacks, Orientals, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts. Minority business enterprises in Hawaii, Puerto Rico, and Guam qualify under this definition.

B. GENERAL

RCA will place a fair portion of its total purchases for all types of goods and services with qualified minority business enterprises. This portion of total purchases shall be that portion which a minority business can win in a competitive environment. These purchases include not only material and services normally purchased by the Purchasing activity but also include such services as required and contracted for by other activities.

Each division or subsidiary Purchasing activity is responsible for gathering and reporting information regarding business transactions with minority businesses.

C. PROCEDURE

1. Each Major Operating Unit Purchasing activity will:

   a. Designate a liaison officer who shall administer the Purchasing Minority Business Enterprise Program and interface with the Major Operating Unit Minority Business Enterprise Coordinator.

   b. Aggressively seek out minority owned businesses and, as appropriate, assist and counsel them in becoming qualified suppliers of goods and services.

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c. Assure that minority businesses have an equal opportunity to compete for subcontracts and purchase orders by arranging solicitations, interviews, bid preparation times, quantities, specifications, and delivery schedules to facilitate the participation of minority business enterprises.

d. Maintain records showing internal procedures which have been adopted to comply with RCA Policy 22109 and this Instruction, including the establishment of a source-list of minority business enterprises.

e. Complete in triplicate on a monthly basis the Minority Business Enterprise (MBE) Monthly Report Form RCA 2638 (Exhibit A attached) to furnish information regarding:

  (1) Names and addresses of minority business enterprises with which purchase orders were placed during the month.

  (2) The activity that placed the requirement (i.e. Purchasing for those items covered by a purchase order).

  (3) A description of the material or service purchased.

  (4) The number of orders placed and total dollar value of these orders for each vendor named, and the totals for the month.

  (5) Any other information pertinent to this Program including but not limited to specific efforts to identify, assist, counsel and award Purchase Orders to minority business enterprises.

One copy of this report will be sent to the Corporate Minority Business Enterprise Coordinator. One copy will be included as part of each activity's Monthly Activity Report and an information copy will be retained by the Major Operating Unit Minority Business Liaison Officer.

2. Corporate Staff Materials will, through its Minority Business Enterprise Liaison Officer:

  a. Make minority businesses known to the Major Operating Units through periodic Minority Business Bulletins as well as other appropriate means of communications.

  b. Keep Corporate records of business placed with minority business enterprises that originates not only from the purchasing activity but from other areas as well.

  c. Interface with all agencies of the Government relative to reports and surveys on minority business matters.

  d. Develop guidelines, goals and action plans to meet Program objectives with the assistance of the Major Operating Units.

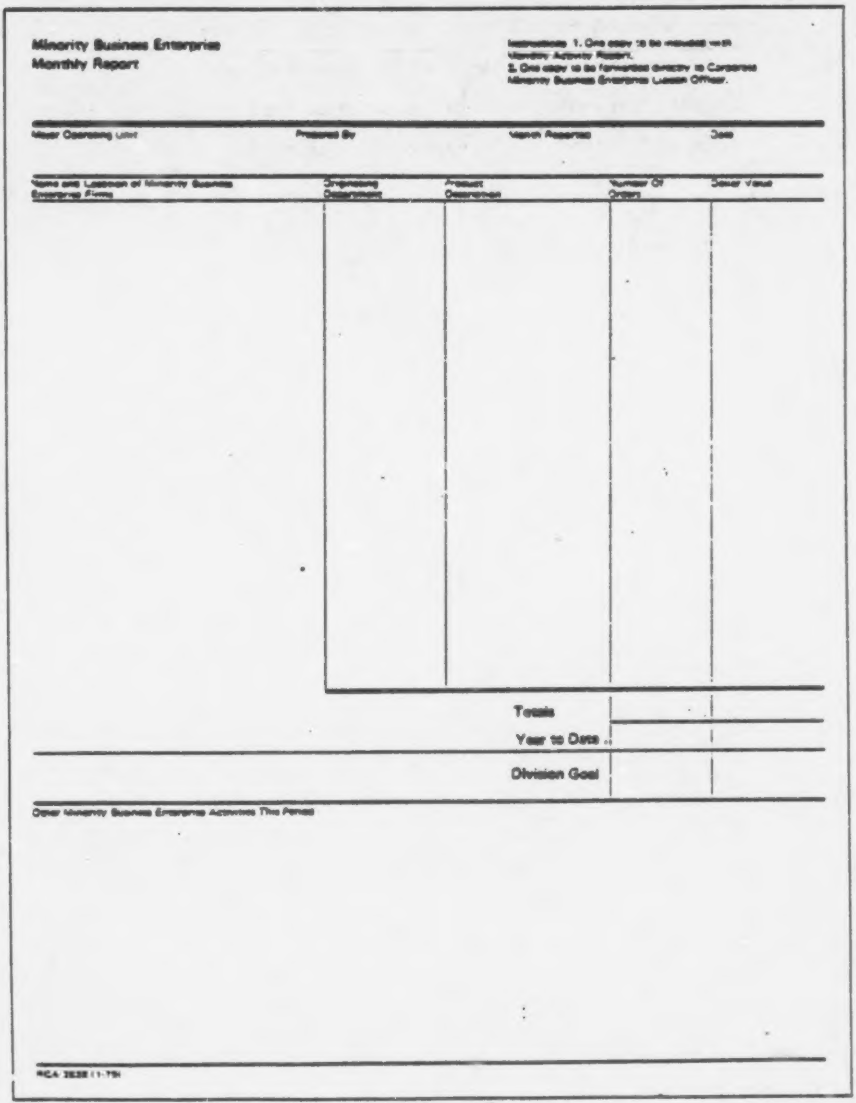
e. Assist Major Operating Units in advancing this program, working with the Minority Business Enterprise Program Coordinator in each unit.

f. Work with other RCA Staff activities as appropriate to assure coordination of the program with RCA's Community Relations and Government Relations Programs.

g. Develop periodic reports on program performance for the information of RCA Executives and Major Operating Unit management, and the Purchasing community.

EXHIBIT A

FORM RCA 2638 MINORITY BUSINESS ENTERPRISE MONTHLY REPORT



Minority Business Enterprise
Monthly Report

Instructions: 1. One copy to be included with Monthly Activity Report.
2. One copy to be forwarded directly to Corporate Minority Business Enterprise Liaison Officer.

Major Operating Unit	Prepared By	Month Reported	Date

Name and Location of Minority Business Enterprise Firms	Originating Department	Product Description	Number Of Orders	Dollar Value
		Totals		
		Year to Date		
		Division Goal		

Other Minority Business Enterprise Activities This Period

RCA 2638 (1-79)

RCA

Purchasing Manual

Number G-12321
Issued 11/10/80
Supersedes 4/23/80
Page 1

Subject
PROCUREMENTS FROM SMALL AND SMALL DISADVANTAGED BUSINESS CONCERNS

This Instruction describes requirements imposed by Public Law 95-507 for the utilization of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. It is RCA policy to comply fully with these requirements.

A. INTRODUCTION

1. P.L. 95-507, Section 211, implemented by the Defense Acquisition Regulation (DAR) in Sections 1-707 and 7-104 (a) - (d) and by the Federal Procurement Regulations (FPR) in Temporary Regulation 50, requires that in all U.S. Government contracts and subcontracts over $10,000 in amount* a specific clause (entitled Utilization of Small Business and Small Disadvantaged Business Concerns) be included; the clause expresses the contractor's and subcontractor's agreement to carry out the policy of the United States in the awarding of subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with the efficient performance of the contract. This clause is incorporated in Supplement "A", see Purchasing Manual Instruction G-12306, Exhibit A, and in Supplement "CR", see Purchasing Manual Instruction G-12319, Exhibit A.

2. P.L. 95-507, Section 211, implemented by DAR and FPR as cited in paragraph A.1. above, also requires that in all solicitations for Government contracts or contract modifications which (a) offer subcontracting possibilities, (b) may exceed $500,000 in amount (or $1,000,000 in amount, if for construction), and (c) are required to include the clause cited in paragraph A.1. above a clause be included notifying offerors or bidders that a small business and small disadvantaged business subcontracting plan will be negotiated with the successful offeror or submitted by the low bidder. The clause is incorporated by reference in Supplement "A" and in full text in Supplement "CR."

3. Any RCA business unit awarded a U.S. Government contract or subcontract containing the clause referred to in paragraph A.1. above or seeking award of a U.S. Government contract or subcontract under a solicitation containing the clause cited in paragraph A.2. above must comply with the applicable clause or clauses.

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*Except those which, including all subcontracts, will be performed entirely outside of any State, territory or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico, or those which are for services personal in nature.

B. RESPONSIBILITIES

1. It is the responsibility of the Senior Materials or Purchasing Manager of each RCA business unit doing business with the U.S. Government to ascertain the applicability of this Instruction and to assure that the requirements of this Instruction are met.

2. The Senior Materials or Purchasing Manager of each business unit doing business with the U.S. Government will appoint a Small and Small Disadvantaged Business Coordinator, who will promote and monitor maximum utilization of small and small disadvantaged businesses as vendors and subcontractors under Government contracts and subcontracts awarded to that business unit.

3. The Small and Small Disadvantaged Business Coordinator will coordinate for the business unit the preparation of the subcontracting plan to be submitted or negotiated in response to the clause cited in paragraph A.2. and will assist the business unit Marketing or Contract Administration representative in gaining the Contracting Officer's or higher-tier Government contractor's acceptance of the plan.

4. The Director, Government Procurement Programs RCA Staff will provide any further interpretation of this Instruction that may be required.

C. DEFINITIONS AND CRITERIA

1. As used in P.L. 95-507, the implementing DAR and FPR regulations, and this Instruction, the following meanings apply:

   "Small business concern" - a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto;

   "Small business concern owned and controlled by socially and economically disadvantaged individuals" - a small business concern (1) which is at least 51 per cent owned by one or more socially and economically disadvantaged individuals or, in the case of any publicly owned business, at least 51 per cent of the stock of which is owned by one or more socially and economically disadvantaged individuals, and (2) whose management and daily business operations are controlled by one of more of such individuals.

2. A U.S. Government contractor or subcontractor acting in response to the clauses cited in paragraphs A.1. and A.2. above shall presume that socially and economically disadvantaged individuals include Asian-Pacific Americans (i.e., U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, or Taiwan), Black Americans, Hispanic Americans, Native Americans (such as American Indians, Eskimos,

Aleuts and Native Hawaiians), and other minorities, or any other individuals found to be disadvantaged by the U.S. Small Business Administration pursuant to Section 8 (a) of the Small Business Act.

3. An RCA business unit acting in good faith may rely on a written representation by its subcontractor regarding the subcontractor's status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

4. "Women-owned business" - To qualify as a small disadvantaged business, a women-owned business must be a small business concern at least 51 per cent owned and controlled by one of more socially and economically disadvantaged individuals; majority ownership and control by one of more women is insufficient. (Purchasing from women-owned businesses is not required by P.L. 95-507. However, the Government report forms require reporting that statistic, along with other statistics not a part of the law, such as those on doing business with foreign, non-profit, and labor surplus concerns. The women-owned business effort is in response to Executive Order 12138.)

5. Other individuals may qualify as socially and economically disadvantaged under procedures established by the U.S. Small Business Administration, using these guidelines:

   a. Socially disadvantaged individuals are those individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

   b. Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired because of diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

6. The Office of Minority Small Business and Capital Ownership Development in the Small Business Administration will answer inquiries from prime contractors and others concerning the class of eligibles.

7. Subcontracting plans are not required of small business concerns.

D. SUBCONTRACTING PLANS

1. When RCA is the apparent successful offeror in response to a solicitation containing a requirement for negotiation of a small and small disadvantaged business subcontracting plan, it must submit and negotiate a subcontracting plan which addresses separately subcontracting with small business concerns and small

disadvantaged business concerns and which shall be made a part of the resultant contract. Failure to submit and negotiate the subcontracting plan shall make RCA ineligible for award. As a minimum, the plan shall include:

▷ a. Separate percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. To be included are all subcontracts to be awarded in performance of the contract; there may be included a proportionate share of supplies and services whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to the contract.

(1) A statement of: (i) total dollars planned to be subcontracted; (ii) total dollars planned to be subcontracted to small business; and (iii) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal supply and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

(3) A statement of the method used in developing proposed subcontracting goals for small business and small disadvantaged business concerns.

(4) If the offeror includes indirect and overhead costs as an element in establishing the goals in the subcontracting plan, the method used in determining the proportionate share of indirect and overhead costs incurred with (i) small business, and (ii) small disadvantaged business subcontractors shall be explained.

(5) A statement of the method used for solicitation purposes (e.g., did the offeror use company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing Council Vendor Information Service, or the services provided by the U.S. Department of Commerce Minority Business Development Agency's Research and Information Division, and the facilities of small business and disadvantaged business trade associations?).

b. The name of the individual within the employ of the offeror who will administer the subcontracting plan and a description of the duties of the individual.

c. A description of the efforts the offeror will make to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts.

d. Assurances that the offeror will include the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns in all subcontracts which offer further subcontracting possibilities in the United States and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause.

e. Assurances that the offeror will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

f. A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated).

   (1) Small and disadvantaged business source lists, guides, and other data identifying small and small disadvantaged business vendors.

   (2) Organizations contacted for small and disadvantaged business sources.

   ▷ (3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (i) whether small business was solicited and if not, why not; (ii) whether small disadvantaged business was solicitated and if not, why not; and (iii) reasons for the failure of responding small businesses or small disadvantaged businesses to receive the subcontract award.

▷ Denotes change or addition

(4) Records to support such efforts as:

- (i) contacts with disadvantaged and small business trade associations;
- (ii) contacts with business development organizations; and
- (iii) attendance at small and disadvantaged business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers such as:

- (i) workshops, seminars, training programs, etc., and
- (ii) monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name, address, and size status of subcontractor.

2. When RCA is the apparent low bidder in response to a formally advertised solicitation containing a requirement for submission of a small and small disadvantaged business subcontracting plan, it shall submit such a plan upon request. Failure to submit the subcontracting plan shall make RCA ineligible for award. As a minimum, the plan shall satisfy the requirements described in paragraph D.1. a.-f.

E. IMPLEMENTATION OF SUBCONTRACTING PLAN

In order to implement effectively the plans described in paragraph D.1. and D.2., the contract clause provides that the contractor shall:

1. Issue and promulgate company wide policy statements in support of this effort, develop written procedures and work instructions, and assign specific responsibilities regarding requirements of this clause.

2. Demonstrate continuing management interest and involvement in support of this effort through such actions as regular reviews of progress and establishment of overall corporate and divisional goals and objectives.

3. Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms.

4. Assist small business and small disadvantaged business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participartion by such concerns. When the Contractor's lists of potential small business and disadvantaged subcontractors are excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.

5. Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.

6. Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

F. EFFECT OF NONCOMPLIANCE

The failure of any contractor or subcontractor to comply in good faith with the clause described in paragraph A.1. when the clause is incorporated in the contract or the subcontract or with an approved plan required as stated in paragraph D.1. or D.2. will be a material breach of the contract or subcontract.

G. REPORTS

Requirements for this section will be incorporated upon release of the regulations and instructions pertaining to the issuance of reports.

RCA Service Company

RCA

Number
6-25
Issue Number
1
Effective
5/28/80

Procedure

Subject
Requirements for the Utilization of Small and Small Disadvantaged Business Concerns Program

Scope:	Government Contracts Contracting, Marketing and Purchasing activities.
Purpose:	To implement RCA's policy regarding the utilization of small business concerns and small disadvantaged business concerns in the performance on government contracts which invoke PL95-507.
Form:	Small Business Check List (Form RCA 329)

Definitions: Small Business Concern - A small business as defined in the Small Business Act and relevant regulations including DAR and FPR. A small business concern is independently owned and operated and is not dominant in the field of operation in which it is bidding for work. In general, a small business concern will have no more than 500 employees.

Small Disadvantaged Business Concern - A small business concern:

a. Which is at least 51% owned by one or more socially and economically disadvantaged individuals; or in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more socially and economically disadvantaged individuals.

b. Whose management and daily business operations are controlled by one or more such individuals. Such individuals include Asian Americans, Black Americans Hispanic Americans, Native Americans, (such as American Indians, Eskimos, Aleuts and Native Hawaiians) and other minorities, or any other individuals found to be disadvantaged pursuant to the Small Business Act.

c. A firm may self-certify, in writing, as to its status which will be accepted at face value.

PL95-507 - Public Law 95-507 requires that on U.S. government contracts over $10,000 the contractor (RCA Service Company), by acceptance of the contract, agrees to award subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with efficient performance on the contract.

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C. Responsibilities	3

Procedure:

A. Policy

It is RCA's policy to ensure that small business concerns and small disadvantaged business concerns have an equal opportunity to engage in open competition for a full and equitable portion of purchases. RCA Service Company is committed to an aggressive pursuit of this policy. Specifications, drawings, and other pertinent data will be made available to technically and financially competent small disadvantaged business concerns for their use in the preparation of bids. All efforts will be made to locate such businesses and to assist and counsel potentially qualified suppliers, as appropriate and practicable.

B. General

1. RCA Service Company, upon receipt of RFP or IFB or upon award of a U.S. government contract or subcontract invoking PL95-507 must:
   - Award subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with the efficient performance of any contract over $10,000.
   - In addition, for each contract $500,000 or more ($1,000,000 or more for construction), submit and negotiate an acceptable subcontracting plan for small and small disadvantaged business concerns. Included in this plan will be separate percentage goals for each type of business concern and a comprehensive description of efforts to be made to achieve these goals.
2. Purchasing will take the following action to assure compliance with the above requirements.
   - Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms.

- Assist small business and small disadvantaged business concerns by preparing complete solicitations outlining quantities, descriptions, specifications and delivery information and to allow adequate time for response to such solicitations so as to facilitate their participation. Maximum utilization of such business concerns will be made. Reference sources for such concerns are: SBA, PASS; National Supplier Development Council, VIS System; RCA, PSAS System; and other sources developed thru reference to other agencies.
- Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.
- Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

C. Responsibilities

1. Government Services Marketing.

Upon receipt of a solicitation, Request For Proposal (RFP) or Invitation For Bid (IFB), invoking PL95-507:

- Immediately advise the Purchasing activity identifying the RFP/IFB with appropriate references. Include any requirement that may specify specific relationships with a PCO/ACO or designate a SBA Regional Office for the control or reporting aspects of PL95-507.
- Furnish Purchasing with any specific data contained therein which details the use of small or small disadvantaged business concerns.
- Request Purchasing to develop a small and small disadvantaged business subcontracting plan for inclusion in the proposal.

2. Government Services Contracting and Operations Analysis.

a. Upon award of a contract in which PL95-507 was included in the proposal:

- Furnish Home Office Purchasing and applicable Field Office Purchasing with a copy of the Contract Information Summary (CIS) as notification of the PL95-507 requirement.

- The CIS is to include Contract and Proposal number identification and any requirement to implement a negotiated subcontracting plan. If contract changes require the submission of a revised subcontracting plan, notify Purchasing.

b. For contract awards where a PL95-507 subcontracting plan was not previously submitted or when an existing contract is modified to invoke PL95-507:

- Furnish Home Office Purchasing and applicable Field Office Purchasing with a CIS containing the information shown above.
- Request Home Office Purchasing to develop a subcontracting plan.

c. Negotiate all developed subcontracting plan with the appropriate PCO/ACO.

3. Home Office Purchasing.

a. Prepare all PL95-507 subcontracting plans.

b. Be the sole RCA Service Company point-of-contact for all reports, questions, audit and audit review contacts including RCA Staff Materials and the SBA regarding the implementation of PL95-507.

c. The following will be utilized when preparing a subcontracting plan:

- Separate percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. To be included are all first-tier subcontracts to be awarded in performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to the contract.
- The name of the individual who will administer the subcontracting plan and a description of the duties of the individual.
- A description of the efforts which will be made to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts.

- Assurances that the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns will be inserted in all subcontracts which offer further subcontracting opportunities and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause.

- Assurances that we will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

- A recitation of the types of records which will be maintained to document routines which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns; and efforts to identify and award subcontracts to such small business concerns.

d. Develop new programs and monitor existing programs designed to increase purchases from small and small disadvantaged business concerns.

e. Establish and use a source list of small and small disadvantaged business concerns.

f. Field and Home Office Purchasing, as appropriate, complete for each purchase order with a value of $10,000 or more, based on a government contract, the appropriate sections of the Small Business Check List (RCA Form 329). The original is to be sent to RCA Small Business Liaison Officer, duplicate is filed in the purchase order folder.

g. Prepare and submit to the appropriate PCO and/or cognizant agency necessary reports as required by PL95-507.

  - A quarterly report showing progress to date on each contract.

  - A quarterly report showing progress on all agency (DoD, DOL, NASA, etc.) contracts.

Copies of each report will be sent to:

Government Services Contracting

Appropriate Field Office Purchasing

RCA Staff Materials

RCA
Purchasing Manual

Number
G-12304
Issued
2/24/81
Supersedes
9/25/78

Subject
SMALL BUSINESS CHECK LIST

Page
1

A. GENERAL

This Instruction describes the procedure to be followed by Purchasing personnel for all procurements for $10,000 or more which are pursuant to Government contracts or subcontracts.

B. RESPONSIBILITY

1. All Buyers must assure that Small Business firms have been given fair and reasonable consideration prior to the award of each Purchase Order or subcontract. To carry out RCA's Small Business Policy the Buyer must substantiate his or her actions by completing the Small Business Check List form RCA 329 (Exhibit A) for all purchases of $10,000 or more which are pursuant to Government contracts or subcontracts.

2. The Buyer will include information concerning action taken in requesting assistance from the Small Business Administration to obtain small business sources under the RCA Referral Program. For the procedure to be followed, see Instruction G-12308.

3. The Small Business Check List will be reviewed and approved by the appropriate managing Buyer for procurements up to $25,000. The head of the Purchasing activity will review and approve by signature all Check Lists over $25,000.

4. A copy of the Quotation Analysis (RCA 617) form will be attached to the original copy of the Small Business Check List when it is appropriate. The Buyer will indicate on the Quotation Analysis whether the bidder is large or small.

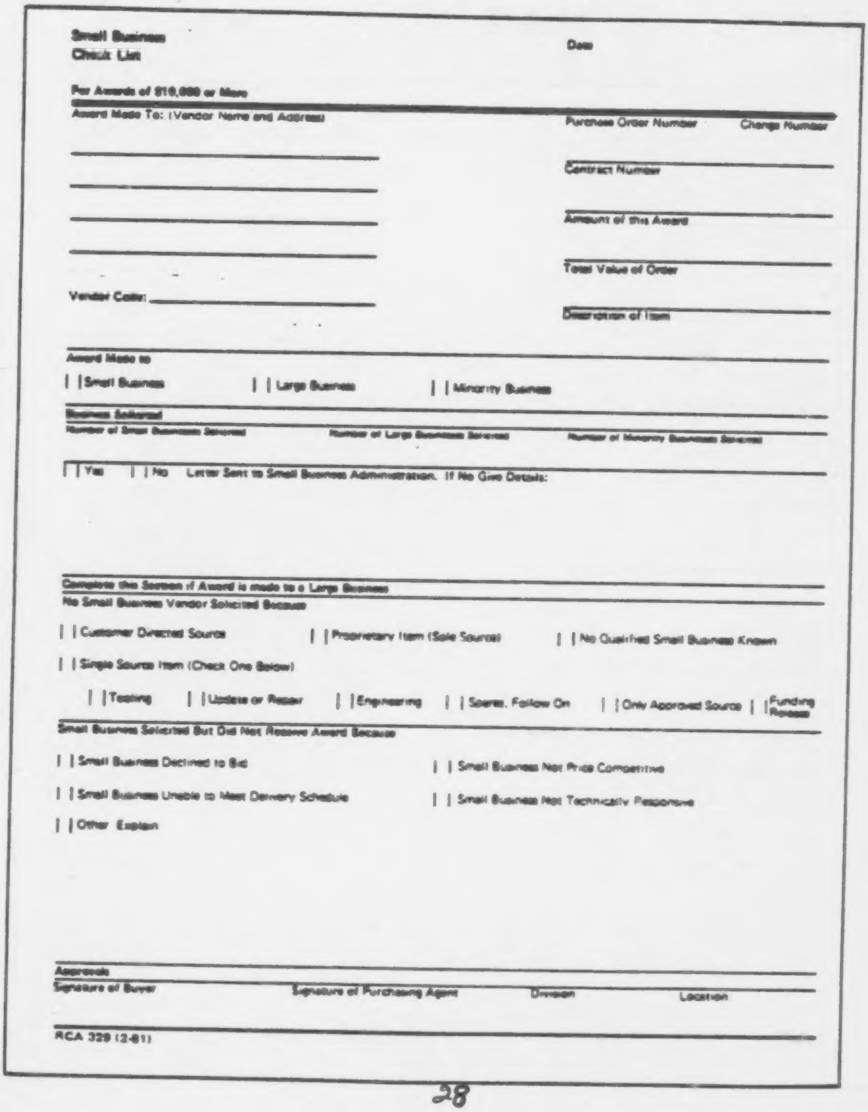
5. A copy of the Purchase Approval Request (RCA 639) should be attached to the original copy of the Check List when it contains background information on the procurement which would be of assistance in reviewing the Check List with Government representatives.

6. A Small Business Check List will be prepared for each Purchase Change Order of $10,000. The original Small Business check List for each order exceeding $10,000 should be issued for full dollar value of the Purchase Order even though the total funding. may be restricted. Check lists need not be issued to cover incremental funding releases.

7. The Small Business Check List will not be prepared for Inter-Divisional Transactions or for procurements from a non-profit organization.

EXHIBIT A

FORM RCA 329 - SMALL BUSINESS CHECK LIST



Small Business Check List

Date

For Awards of $10,000 or More

Award Made To: (Vendor Name and Address)

Purchase Order Number   Change Number

Contract Number

Amount of this Award

Total Value of Order

Description of Item

Vendor Code: ____________________

Award Made to

☐ Small Business   ☐ Large Business   ☐ Minority Business

Business Solicited

Number of Small Businesses Solicited   Number of Large Businesses Solicited   Number of Minority Businesses Solicited

☐ Yes   ☐ No   Letter Sent to Small Business Administration. If No Give Details:

Complete this Section if Award is made to a Large Business

No Small Business Vendor Solicited Because

☐ Customer Directed Source   ☐ Proprietary Item (Sole Source)   ☐ No Qualified Small Business Known

☐ Single Source Item (Check One Below)

☐ Testing   ☐ Update or Repair   ☐ Engineering   ☐ Spares, Follow On   ☐ Only Approved Source   ☐ Funding Release

Small Business Solicited But Did Not Receive Award Because

☐ Small Business Declined to Bid   ☐ Small Business Not Price Competitive

☐ Small Business Unable to Meet Delivery Schedule   ☐ Small Business Not Technically Responsive

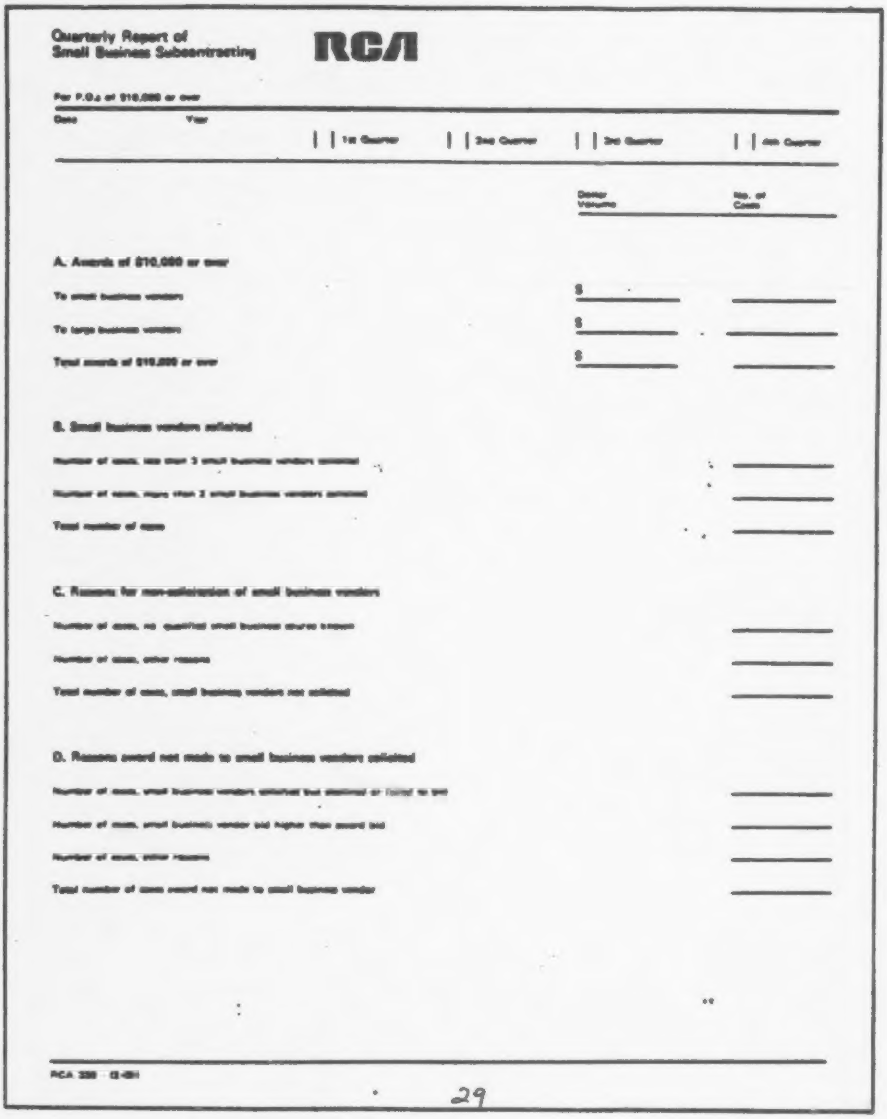
☐ Other Explain

Approvals

Signature of Buyer   Signature of Purchasing Agent   Division   Location

RCA 329 (2-81)

EXHIBIT B



Quarterly Report of Small Business Subcontracting RCA

For P.O.s of $10,000 or over

Date Year

| | 1st Quarter | | 2nd Quarter | | 3rd Quarter | | 4th Quarter

	Dollar Volume	No. of Cases
A. Awards of $10,000 or over		
To small business vendors	$______	______
To large business vendors	$______	______
Total awards of $10,000 or over	$______	______
B. Small business vendors solicited		
Number of cases, less than 3 small business vendors solicited		______
Number of cases, more than 2 small business vendors solicited		______
Total number of cases		______
C. Reasons for non-solicitation of small business vendors		
Number of cases, no qualified small business source known		______
Number of cases, other reasons		______
Total number of cases, small business vendors not solicited		______
D. Reasons award not made to small business vendors solicited		
Number of cases, small business vendors solicited but declined or failed to bid		______
Number of cases, small business vendor bid higher than award bid		______
Number of cases, other reasons		______
Total number of cases award not made to small business vendor		______

RCA 338 (2-81)

29

RCA
Purchasing Manual

Number
G-12308
Issued
8/25/77
Supersedes
2/3/64
Page
1

Subject
REFERRAL PROGRAM

This Instruction describes the procedure to be followed by Purchasing personnel regarding procurements for $10,000 or over which are pursuant to Government contract or subcontract and which fall within the parameters of the Referral Program as outlined below.

A. PROCEDURE

1. The Purchasing organization will request, by letter, assistance in obtaining additional small business sources from the Small Business Administration in areas where "no small business source is known," or "where less than three small business sources were known at the time of solicitation" on all procurements $10,000 or over which are pursuant to a Government contract or subcontract.

   The Small Business Administration is most interested in the procurement of items which are repetitive in nature. Therefore, if no small business source is known at the time of solicitation, or fewer than three were solicited, any suggested sources received "after the fact" would, in essence, be given consideration on future solicitations.

2. The letter to the Small Business Administration will include all required information, i.e., prints, specifications, etc., necessary for the SBA to do the proper job of locating sources to recommend. This same information will be directed to the Contracting Officer simultaneously, and a copy of the letter, ONLY, will be mailed to the Corporate Small Business Liaison Officer.

   In those cases where the Purchasing organization has been advised that such requests will be made only through the Contracting Officer, the judgment of the Purchasing Agent or Manager of Materials regarding notification will be completely satisfactory and acceptable.

B. DELAY IN PERFORMANCE

Under no circumstances will any Purchasing organization delay completion of the procurement action by waiting for suggested small business sources, if such delay would in any way affect RCA's performance under the contract or subcontract.

C. COORDINATION

1. Action taken under this Referral Program will be indicated by the Buyer or Subcontract Administrator on the Small Business Check List (Form RCA 329) as directed in Paragraph A.2. of Instruction G-12304.

30

C. (cont'd)

2. All requests for assistance under the Referral Program will be coordinated by an individual (the Small Business Administrator) designated for this purpose by the head of the Purchasing organization. The Buyer or Subcontract Administrator will forward all necessary information to the Small Business Administrator.

Pan Am
World Services, Inc.

Base Support Services Division
Post Office Box 547
Silverdale, Washington 98383
(206) 779-3849
(206) 692-5620

CHARLES A. CLEMENT
Vice President

N62474-82-C-0051

27 September 1982

Department of the Navy
Western Division
Naval Facilities Engineering Command
Post Office Box 727
San Bruno, California 94066

Attention: Ms. Helen W. Lyle, Contract Division

Subject: RFP N62474-82-R-0051, COMMERCIAL ACTIVITIES CONTRACT FOR HOUSING MAINTENANCE, TRANSPORTATION AND SUPPLY SERVICES, NAVAL WEAPONS CENTER, CHINA LAKE, CALIFORNIA

The attached proposal pages have been revised to reflect the details of our current small business subcontracting plan. Please replace existing pages with the attached revisions and make appropriate distribution to your small business specialist. The following information details the actual proposed assignments of the subcontracted functions.

Contractor	First Year Amount	Size
Sphere, Inc. Will perform motor pool operation and heavy equipment operations as described in Annex 2	$994,056	Small/ Disadvantaged
C. Martin Company Will perform all housing maintenance required by Annex 1	$820,830	Small Business

A subsidiary of PAN AM.

1

Other small businesses will be included in solicitations to provide routine supplies (undetermined amount). I trust this information is sufficient for your records. Please let us know if further information is required.

Charles A. Clement
CHARLES A. CLEMENT

CAC/cmh

Attachment: Revised pages II-3-21 through II-3-24

Our subcontracting program will be conducted in consonance with Defense Acquisition Regulations and Navy procurement policies. Our Procurement department will be responsible for preparation of subcontract documents, as required. They will review and analyze prices or estimated costs, target costs, and fee criteria, and determine applicable subcontracts terms and conditions. Prime contract changes affecting our subcontractor will be reviewed and negotiated as appropriate; change orders will then be issued to Sphere or C. Martin. Procedures will be established and enforced to ensure effective monitoring and review of subcontract performance and overall adequacy of subcontracted functions.

Procurement will maintain schedules for contract completions and status of work progress or deliveries and authorize payment to the subcontractor upon notification of successful accomplishment by the technical area representatives. Upon completion or termination of a subcontract, appropriate action will be instituted to determine that all subcontracted items of work have been completed; final audits, and patent and royalty reports prepared; and final releases and assignments of claims obtained.

PRELIMINARY SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL BUSINESS OWNED AND OPERATED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

I. Introduction

The Small Business Act of 1958, as amended October 24, 1978, by Public Law 95-507, states in part that "It is the policy of the United States that small business concerns, and small business concerns owned and controlled by socially and economically disadvantaged individuals, shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal Agency." We recognize its responsibility to implement such policies and will take definite and aggressive action to further the opportunities of small business concerns.

The purpose of this subcontracting plan is to set a systematic approach by which the China Lake Support Project can pursue this responsibility and goal. The plan will include the necessary guidelines for accomplishing the objectives, conducting periodic management reviews, and measuring the success of the Small Business Subcontracting Program.

II. Dissemination of Company Policy

We recognize that the success of the Small Business Subcontracting Program depends on the support and understanding of policies concerning this program by managers who are involved in the selection of vendors and subcontractors. To ensure dissemination of the Company's policy of giving maximum opportunity to small business concerns, the following statements of emphasis on the policy of this program are provided:

o To the fullest extent practicable, provide subcontracting opportunities for small business concerns, consistent with efficient and effective performance of the prime contract.

USE OR DISCLOSURE OF PROPOSAL QUOTATION DATA IS SUBJECT TO THE RESTRICTION ON THE TITLE PAGE OF THIS PROPOSAL

- Incorporate guidelines for acquisition from small business concerns in every Standard Practice Instruction that governs Company procurement.

- Conduct periodic meetings with executive, management, and supervisory personnel to explain and review the intent of the policy and the extent of individual responsibilities for effective implementation of the program.

- Issue periodic reports to executive and management personnel to show status, identifying problems and reporting corrective action and program changes.

- Discuss Company policy in management training programs, employee orientations, and individual counseling.

- Notify customers, minority organizations, community agencies, and community leaders of the Company policy.

- Actively pursue a program of identification and solicitation of those small businesses that have the potential to efficiently and effectively meet the acquisition needs of the Company.

- Ensure that all Pan Am World Services subcontracts except those to small businesses, over $500,000 (or $1,000,000 if construction) that offer further subcontracting opportunities include the requirement that the subcontractor has a current, acceptable small business procurement plan which includes acceptable guidelines for procurements from small business concerns owned and controlled by socially and economically disadvantaged individuals (small disadvantaged firms) and require submission of such plans and periodic reports of achievement to the Contract Administrator for review, approval, and monitoring.

III. Responsibility for Implementation

The successful implementation of the Small Business Subcontracting Program has the full support of Pan Am World Services executive management. To ensure that all levels of management are aware of the program's objectives and their responsibilities to further these goals, our Project Manager, Mr. R. M. Pelham, will be designated as Plan Administrator.

The responsibilities of the Subcontracting Program Coordinator shall include, but not be limited to:

- Developing in conjunction with the Project Manager, Company policy and procedures to ensure compliance with the program guidelines, policies, and objectives.

- Conducting management reviews to evaluate the success of the program and identifying problem areas.

- Designing and implementing a recording and reporting system that will:

  - Measure the effectiveness of the Pan Am World Services Small Business Subcontracting Program.

4

USE OR DISCLOSURE OF PROPOSAL QUOTATION DATA IS SUBJECT TO THE RESTRICTION ON THE TITLE PAGE OF THIS PROPOSAL

  - Indicate those areas requiring additional management attention.
  - Determine the degree to which the Company's small business subcontracting goals and objectives are being achieved.

- Serving as liaison between Pan Am World Services and those minority and community organizations that assist small businesses in locating and furthering business opportunities.
- Keeping executive management informed of both the success and the latest developments of the Small Business Subcontracting Program.

The Subcontracting Program Coordinator shall assist management in the implementation and administration of the program. He will monitor all activities related to the program and assist management at all levels in taking positive and aggressive action that will result in the development and utilization of small business concerns in accomplishing our objectives at the Naval Weapons Center.

IV. Goals of the Small Business Subcontracting Program

The purpose of the Pan Am World Services Small Business Subcontracting Program is to provide maximum opportunities for small business concerns and small disadvantaged firms to participate in the performance of our requirements under the contract. To this end, the following goals have been established by the Pan Am World Services China Lake Support Project Management. Of the total proposed contract amount in the first year of $4,638,000:

- Maintain the first year dollar value of those procurements placed with small disadvantaged firms at 54.76% ($994,056) or more of total planned subcontract amount of $1,814,886.
- Maintain the first year dollar value of those procurements placed with small business concerns other than disadvantaged at 45.24% ($820,830) or more of total planned subcontract amount of $1,814,886.
- Design and implement a recordkeeping system by which to evaluate the success of the program.
- Ensure that all subcontractors and suppliers, except small business concerns, receiving awards of $500,000 or more ($1,000,000 if construction) in support of our China Lake Support Project adopt a similar subcontracting program.
- Develop and implement a vendor query procedure to identify potential small business concerns that can support the Naval Weapons Center requirements.
- Under the prime contract, identify requirements that may be considered for set-aside specifically for small business or small disadvantaged firms.

5

USE OR DISCLOSURE OF PROPOSAL QUOTATION DATA IS SUBJECT TO THE RESTRICTION ON THE TITLE PAGE OF THIS PROPOSAL

- Set aside those acquisitions for subcontracting/purchase that will afford maximum opportunities for small business concerns or small disadvantaged firms to participate with Pan Am World Services on the China Lake Support Project, consistent with the efficient performance of the prime contract.

The foregoing goals for small business and small disadvantaged business concerns were established as reasonable and achievable based on the type and scope of work in this RFP, the local availability and experience of small businesses, our experience at the Naval Submarine Base Bangor and elsewhere, and our bidding agreement with a minority owned small disadvantaged firm for performance of several annex functions as reflected in the proposal.

V. Federal Program Support

The Pan Am World Services China Lake Support Project management recognizes and supports the United States Government's efforts to further social and economic progress. In order to evaluate the success of the Small Business Subcontracting Program, the Company will accumulate data pertaining to its program and report findings of surveys and studies conducted under this program on as as-required basis consistent with current policy. The Subcontracting Program Coordinator will cooperate fully with the SBA and Contracting Officer in reporting quarterly, or as necessary, results of the program and in any reviews deemed necessary to ascertain compliance.

6

USE OR DISCLOSURE OF PROPOSAL QUOTATION DATA IS SUBJECT TO THE RESTRICTION ON THE TITLE PAGE OF THIS PROPOSAL

VI. Information and Documentation

The objective of this subcontracting plan is to delineate the method by which the China Lake Support Project Small Business Subcontracting Program will be accomplished. The success of the program can only be measured against the historical accomplishment of its goals. To make the assessments, documentation and files must be created and maintained to conduct a meaningful evaluation. To this end, the following data, as a minimum, will be maintained:

o A list of all firms, including addresses, to whom inquiries were sent to ascertain their status as:

- Small disadvantaged firm
- Other small business concern
- Large business owned and controlled by minority group(s)

o A list of all firms, including addresses, to whom subcontract awards were made, indicating whether the concern is:

- Small disadvantaged firm
- Other small business concern
- Large business owned and controlled by minority group(s)
- Other large business

o Each procurement action will be annotated to show whether the vendor received the award as a sole-source supplier or whether the award was made through competition.

o Each procurement action will be annotated to indicate:

- If a small disadvantaged firm had been solicited
- If other small business concerns had been solicited
- If a small disadvantaged firm had received the award
- If another small business concern had received the award

USE OR DISCLOSURE OF PROPOSAL QUOTATION DATA IS SUBJECT TO THE RESTRICTION ON THE TITLE PAGE OF THIS PROPOSAL

N62467-82-C-0053

Subcontracting Plan
In accordance with 95-507

1. Contract No.

N62467-82-C-0053
Commanding Officer
Naval Facilities Engineering Comman
2144 Melbourne St.
P.O. Box 10068
Charleston, S.C. 29411
Attn: A. H. Demos
Term: 3 Mos. Basic
Plus 4 FY Options

2. Contractor: RCA Base Support Services Inc.

3. Plan Prepared by: E. P. White
(609) 338-6518

4. Contract Value:

Base 3 Mos. $2,023,815
Option 1 Year 6,906,900
Option 2 Year 6,963,676
Option 3 Year 7,116,240
Option 4 Year 7,272,920

5a. Est. Value of Subcontracts:

Base 3 Mos.	$264,112.00
Option 1 Year	$765,014.00

5b. Goals:

Small Business (3Mos including phase-in).	53.0% = $138,897.00
1st Option year	37.0% = $282,283.00
Small Disadvantaged Business (3 Mos. including Phase-in)	2.0% = $ 5,282.00
1st option year.	2.0% = $ 15,300.00

5c. This contract covers base operating services at NAS Memphis. Services include maintenance of heating, ventilating air conditioning and refrigeration; maintenance and repair of buildings and structures; grounds and surface area maintenance; pest control, motor vehicle operation and maintenance, telephone service and base communications.

In addition to the services shown above other tasks may be given to RCA that covers small construction projects. These tasks, if awarded will involve small business set asides and could increase the sub-contract value (and small business goals) from $131,000 (1st 3 months) to 536,000.00 (1st option year). If appropriate, this plan will be modified accordingly. Subcontract dollars beyond the 1st option year will be shown in plan modifications as appropriate.

6. The designated employee within the employ of the contractor bidder or offeror who will administer the subcontracting program of this proposal is:

Name: E. P. White

Title: Administrator, Government Subcontracts

Address: RCA Service Company
Bldg. 203-1, Route 38, Cherry Hill, N.J. 08358

Telephone: 609-338-6518

(Duties): See Attachment 2.

7. Attachments 1 and 2 and associated procedures describe the efforts that will be taken to ensure that small business and small disadvantaged business concerns, owned and controlled by socially and economically disadvantaged, will have an opportunity to compete for any subcontracts that pertain to this proposal.

8. Attachment 3 and associated procedures provide a recitation of the types of records RCA will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source listing of small and economically and socially disadvantaged business concerns, and efforts to identify and award subcontracts to such business concerns as they pertain to this proposal.

9. I, the undersigned, and authorized Agent of RCA Base Support Services, Inc. assure that as prime contractor, RCA will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by RCA with this plan.

By: Hanson
FW.Hanson
Authorized Agent

SUBCONTRACTING PLAN
PUBLIC LAW 95-507

ATTACHMENT 1

RCA officially created a Minority Business Enterprise Program in 1970. It is managed by the Director of Government Procurement Programs (a Corporate Staff position) who serves as the Corporate Minority and Small Business Liaison Officer.

Each RCA Division and business operating unit has a minority and small business coordinator who administrates the local programs within the Corporate framework and guidelines (RCA Corporate Policy 22109 and Purchasing Instruction C-12007, and integral part of the Corporate Purchasing Manual.) (Copies Attached)

To further ensure an innovative and productive program, a nine-member RCA Minority Business Advisory Group was created. It is comprised of three Corporate Executives and six Divisional Purchasing Executives who meet three times a year to:

(1) Review and establish policy;
(2) Submit suggestions which may improve performance;
(3) Develop promotional and award programs; and
(4) Review and develop goals.

The committee also assigns a business goal to each division and business unit purchasing activity. These goals are monitored (on a monthly basis) at the corporate level to ensure that the established goals and objectives are met.

To further ensure the desired results, RCA is a National Member of the National Minority Purchasing Council. The Minority and Small Business Coordinator is a member of the Regional Minority Purchasing Councils located in New York, Boston, Philadelphia, Pittsburgh, Indianapolis, Los Angeles and Harrisburg. The RCA Corporate Small and Minority Business Liaison Officer is a member of NMPC's Executive Board and Board of Directors.

RCA's system has consistently produced an increase in the amount of business annually done with Small and Minority Businesses.

SUBCONTRACTING PLAN
PUBLIC LAW 95-507

ATTACHMENT 2

RCA Service Company will assign E. P. White as Minority and Small Business Coordinator for this contract. RCA also will take the following steps to ensure maximum participation of disadvantaged small businesses:

- Ensure that an adequate list of potential sources is available to each buyer.
- Review all major procurements (over $2,500) to ensure that small and socially and economically disadvantaged businesses are included in the bid list.
- Maintain membership in the National Minority Purchasing Council and other volunteer organizations and to seek new potential sources.
- Review progress (on a monthly basis) with the Manager of Materials and the Coordinator.
- Furnish management assistance to those businesses needing assistance in becoming qualified suppliers.
- As part of RCA's established practices, training programs, seminars, workshops, and other activities related to the use of Small and Small Disadvantaged Businesses will be scheduled during the term of the contract.

RCA will pass down the required clauses as stated in the applicable Defense Acquisition Regulations in all subcontracts which offer further subcontracting opportunities.

During the course of the program we will continue to seek other qualified firms to support RCA, depending on task assignment and required specialties.

RCA will request and utilize the Small Business Administration's "Procurement Automated Source System" in order to locate and develop the maximum amount of Small Businesses and economically and socially disadvantaged suppliers for materials or services to meet our requirements.

ATTACHMENT 2
(CONTINUED)

Duties of the Minority and Small Business Coordinator:

A. Inform and assist Buyers in locating and using appropriate small and small disadvantaged business sources of supply.

B. Responds to inquiries from potential vendor and ensures they are brought together with Buyers and other appropriate people who may be able to employ their products and services.

C. Reviews subcontract potential for small and small disadvantaged business partitipation on specific contracts.

D. Participates in make-or-buy decisions and identifies maximum practical opportunities for these firms.

E. Participates in establishment of relevant subcontract goals and monitors performance.

F. Collects data and reports on achievements as required.

G. As RCA's representative, attends monthly National Minority Supplier Development Council (Formerly Minority Purchasing Council) Meetings, attends Trade Fairs, & Seminars for small and small disadvantaged business concerns.

H. Assists in development of seminars that cover updating of Public Law 95-507 requirements and programs to assist Buyers in expanding contracts with small and small disadvantaged business concerns.

I. Reports to Mr. V.R. Giacoboni, Director of Purchasing for RCA Service Company, who is an active member of RCA Corporation's Minority Business Advisory Group.

SUBCONTRACTING PLAN
PUBLIC LAW 95-507

ATTACHMENT 3

The Government contracts of RCA Service Company are under the cognizance of Defense Contract Administration Services Region (DCASR) in Philadelphia, Pennsylvania. DCASR maintains a branch office in Moorestown, New Jersey. Mr. F.P. Battaglini, as Administrative Contracting Officer in this office, administers RCA contracts, subcontracts, and purchasing. The ACO reviewed the following RCA Service Company procedures and approved them on the date indicated.

Property Control Procedures	3 August 1976
Purchasing System (Including Purchase Orders and Subcontracts)	1 August 1980
Small Business and Labor Surplus Area Subcontracting Programs	15 September 1981

RCA will submit quarterly reports to the Contracting Officer, and/or others so specified, on purchases from disadvantaged concerns. These will be compared with the negotiated goals set forth in the contract. Any particular problems which may cause concern will also be reported to ensure that RCA is in compliance with the contract requirements.

RCA will maintain the following records:

- Number of disadvantaged businesses solicited.
- Number of disadvantaged business bids rejected together with the rationale for the decision.
- Number of orders, including dollar volume, awarded during the performance of this contract.
- Monthly measures of purchases measured against contract goals.

6

ATTACHMENT 3
(CONTINUED)

- Listing of all known disadvantaged businesses, subdivided into commodity classifications.
- Monthly reports to RCA Corporate Staff.
- RCA will comply with all other reporting requirements of DAC-76-24, paragraph 7-104.14(b) (6).
- RCA Purchasing Activities shall submit monthly reports stating the number of orders/subcontracts and total value of them, including categorization by Small and Small Disadvantaged Businesses, plus identification of vendors. Also recorded shall be a summary of efforts expended to locate and utilize Small and Small Disadvantaged vendors. This information will form the basis of complying with PL95-507 requirements, use in SBA reviews and the development of source lists. Existing source lists, such as RCA's, PSAS, SBA's Pass and the Minority supplier development councils vis, will be augmented accordingly.

RCA Policy

Number
22109
Approved
1/2/79
Supersedes
Initial

Subject
RCA MINORITY BUSINESS ENTERPRISE PROGRAM

POLICY

1. This Policy reaffirms RCA's longstanding commitment to ensure that minority-owned businesses have an equal opportunity to compete for a fair and equitable portion of RCA's purchases.

   a. A minority business enterprise is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantages may arise from cultural, racial, chronic economic circumstances or background, or other similar causes. Such persons include, but are not limited to, Blacks, Orientals, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts. Minority business enterprises in Hawaii, Puerto Rico, and Guam qualify under this definition.

   b. These purchases include not only the materials and services normally purchased by the Purchasing activity, but also include such services as are required for advertising, banking, insurance, consulting, marketing, personnel services, etc.

2. RCA Corporation, its divisions and subsidiary companies, will aggressively seek out minority owned business and as appropriate assist and counsel them in becoming qualified suppliers of goods and services. The use of minority owned businesses will be encouraged at all levels of RCA business activity where specific decisions are made regarding the purchase of goods and services.

3. Corporate Materials is responsible for overall direction and monitoring of the RCA Minority Business Enterprise Program in accordance with instructions in the RCA Purchasing Manual. Corporate Materials will coordinate this program with the Corporate Community Relations Program and the Government Relations Program.

4. Each Major Operating Unit will actively promote the RCA Minority Business Enterprise Program among its executives, requisitioning functions and purchasing personnel. Each unit will develop and monitor goals and specific programs designed to increase purchases from minority businesses.

5. Purchases under Government contracts will be handled in accordance with applicable government regulations and directives.

RESPONSIBILITIES

6. In coordinating the Minority Business Enterprise Program, Corporate Materials will be guided by RCA Policy 22101, Purchasing, and will:

   a. With the assistance of the Major Operating Unit, develop guidelines, goals and action plans to meet Program objectives.

   b. Assist Major Operating Units in advancing this program, working with the Minority Business Enterprise Program Coordinator in each unit.

   c. Revise program instructions to the RCA Purchasing Manual.

   d. Work with other RCA Staff activities as appropriate to assure coordination of the program with RCA's Community Relations and Government Relations Programs.

   e. Develop periodic reports on program performance for the information of RCA Executives and Major Operating Unit management, and the Purchasing community.

IMPLEMENTATION

7. Each Major Operating Unit will:

   a. Assign a Minority Business Enterprise Coordinator to direct the unit's program and to work with Corporate Materials.

   b. Be guided by Purchasing Procedure C-12007 in the RCA Purchasing Manual.

   c. Issue internal procedures, if required.

   d. Provide statistics and other information on program performance.

8. The Staff Vice President, Materials, will provide any interpretation of this policy that may be required.

RCA

Purchasing Manual

Number C-12007
Issued 2/28/79
Supersedes 3/23/77
Page 1

Subject

MINORITY BUSINESS ENTERPRISE PROGRAM

In accordance with RCA Policy 22109, this instruction describes RCA's policy and procedure regarding purchases from minority business enterprises.

A. DEFINITION

A minority business enterprise is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Such disadvantages may arise from cultural, racial, chronic economic circumstances or background, or other similar causes. Such persons include, but are not limited to, Blacks, Orientals, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts. Minority business enterprises in Hawaii, Puerto Rico, and Guam qualify under this definition.

B. GENERAL

RCA will place a fair portion of its total purchases for all types of goods and services with qualified minority business enterprises. This portion of total purchases shall be that portion which a minority business can win in a competitive environment. These purchases include not only material and services normally purchased by the Purchasing activity but also include such services as required and contracted for by other activities.

Each division or subsidiary Purchasing activity is responsible for gathering and reporting information regarding business transactions with minority businesses.

C. PROCEDURE

1. Each Major Operating Unit Purchasing activity will:
   a. Designate a liaison officer who shall administer the Purchasing Minority Business Enterprise Program and interface with the Major Operating Unit Minority Business Enterprise Coordinator.
   b. Aggressively seek out minority owned businesses and, as appropriate, assist and counsel them in becoming qualified suppliers of goods and services.

c. Assure that minority businesses have an equal opportunity to compete for subcontracts and purchase orders by arranging solicitations, interviews, bid preparation times, quantities, specifications, and delivery schedules to facilitate the participation of minority business enterprises.

d. Maintain records showing internal procedures which have been adopted to comply with RCA Policy 22109 and this Instruction, including the establishment of a source-list of minority business enterprises.

e. Complete in triplicate on a monthly basis the Minority Business Enterprise (MBE) Monthly Report Form RCA 2638 (Exhibit A attached) to furnish information regarding:

   (1) Names and addresses of minority business enterprises with which purchase orders were placed during the month.

   (2) The activity that placed the requirement (i.e. Purchasing for those items covered by a purchase order).

   (3) A description of the material or service purchased.

   (4) The number of orders placed and total dollar value of these orders for each vendor named, and the totals for the month.

   (5) Any other information pertinent to this Program including but not limited to specific efforts to identify, assist, counsel and award Purchase Orders to minority business enterprises.

   One copy of this report will be sent to the Corporate Minority Business Enterprise Coordinator. One copy will be included as part of each activity's Monthly Activity Report and an information copy will be retained by the Major Operating Unit Minority Business Liaison Officer.

2. Corporate Staff Materials will, through its Minority Business Enterprise Liaison Officer:

   a. Make minority businesses known to the Major Operating Units through periodic Minority Business Bulletins as well as other appropriate means of communications.

   b. Keep Corporate records of business placed with minority business enterprises that originates not only from the purchasing activity but from other areas as well.

   c. Interface with all agencies of the Government relative to reports and surveys on minority business matters.

   d. Develop guidelines, goals and action plans to meet Program objectives with the assistance of the Major Operating Units.

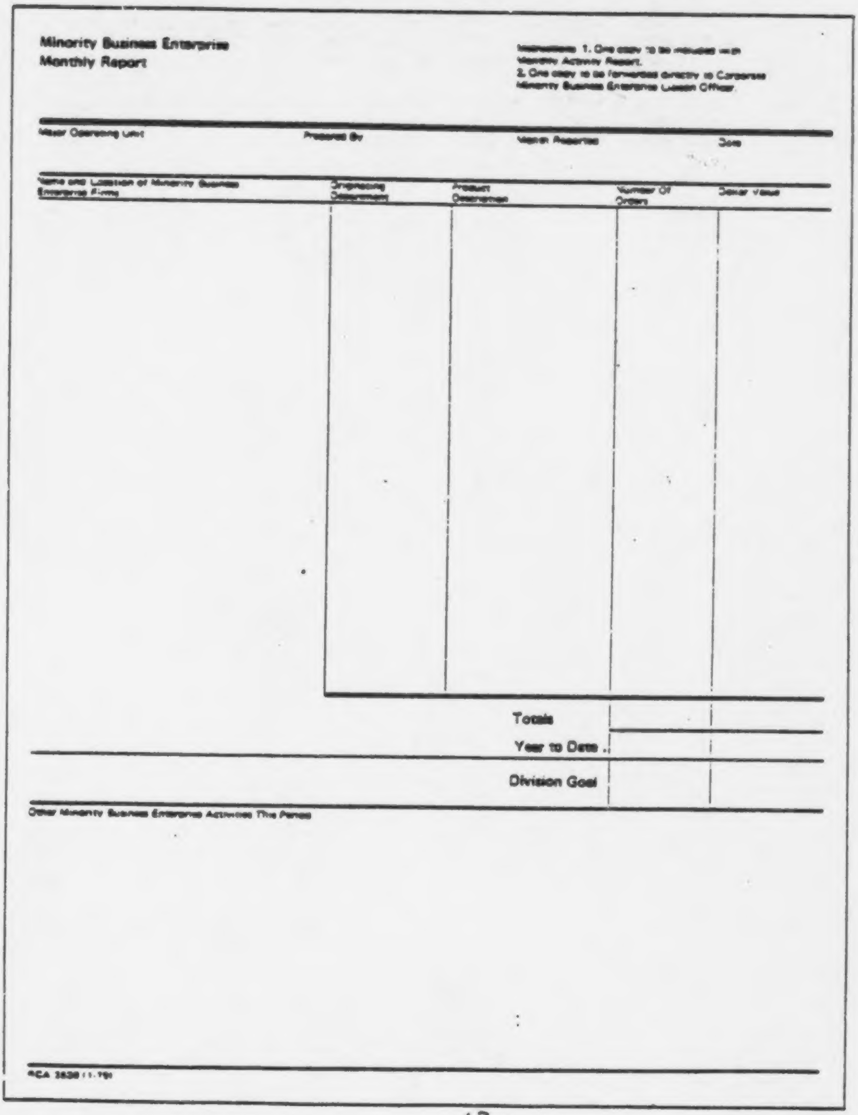
e. Assist Major Operating Units in advancing this program, working with the Minority Business Enterprise Program Coordinator in each unit.

f. Work with other RCA Staff activities as appropriate to assure coordination of the program with RCA's Community Relations and Government Relations Programs.

g. Develop periodic reports on program performance for the information of RCA Executives and Major Operating Unit management, and the Purchasing community.

EXHIBIT A

FORM RCA 2638 MINORITY BUSINESS ENTERPRISE MONTHLY REPORT



Minority Business Enterprise
Monthly Report

Instructions: 1. One copy to be included with Monthly Activity Report.
2. One copy to be forwarded directly to Corporate Minority Business Enterprise Liaison Officer.

Major Operating Unit	Prepared By	Month Reported	Date

Name and Location of Minority Business Enterprise Firms	Originating Department	Product Description	Number Of Orders	Dollar Value
		Totals		
		Year to Date		
		Division Goal		

Other Minority Business Enterprise Activities This Period

RCA 2638 (1-79)

RCA
Purchasing Manual

Number
G-12321
Issued
11/10/80
Supersedes
4/23/80
Page
1

Subject
PROCUREMENTS FROM SMALL AND SMALL DISADVANTAGED BUSINESS CONCERNS

This Instruction describes requirements imposed by Public Law 95-507 for the utilization of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. It is RCA policy to comply fully with these requirements.

A. INTRODUCTION

1. P.L. 95-507, Section 211, implemented by the Defense Acquisition Regulation (DAR) in Sections 1-707 and 7-104 (a) - (d) and by the Federal Procurement Regulations (FPR) in Temporary Regulation 50, requires that in all U.S. Government contracts and subcontracts over $10,000 in amount* a specific clause (entitled Utilization of Small Business and Small Disadvantaged Business Concerns) be included; the clause expresses the contractor's and subcontractor's agreement to carry out the policy of the United States in the awarding of subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with the efficient performance of the contract. This clause is incorporated in Supplement "A", see Purchasing Manual Instruction G-12306, Exhibit A, and in Supplement "CR", see Purchasing Manual Instruction G-12319, Exhibit A.

2. P.L. 95-507, Section 211, implemented by DAR and FPR as cited in paragraph A.1. above, also requires that in all solicitations for Government contracts or contract modifications which (a) offer subcontracting possibilities, (b) may exceed $500,000 in amount (or $1,000,000 in amount, if for construction), and (c) are required to include the clause cited in paragraph A.1. above a clause be included notifying offerors or bidders that a small business and small disadvantaged business subcontracting plan will be negotiated with the successful offeror or submitted by the low bidder. The clause is incorporated by reference in Supplement "A" and in full text in Supplement "CR."

3. Any RCA business unit awarded a U.S. Government contract or subcontract containing the clause referred to in paragraph A.1. above or seeking award of a U.S. Government contract or subcontract under a solicitation containing the clause cited in paragraph A.2. above must comply with the applicable clause or clauses.

*Except those which, including all subcontracts, will be performed entirely outside of any State, territory or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico, or those which are for services personal in nature.

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B. RESPONSIBILITIES

1. It is the responsibility of the Senior Materials or Purchasing Manager of each RCA business unit doing business with the U.S. Government to ascertain the applicability of this Instruction and to assure that the requirements of this Instruction are met.

2. The Senior Materials or Purchasing Manager of each business unit doing business with the U.S. Government will appoint a Small and Small Disadvantaged Business Coordinator, who will promote and monitor maximum utilization of small and small disadvantaged businesses as vendors and subcontractors under Government contracts and subcontracts awarded to that business unit.

3. The Small and Small Disadvantaged Business Coordinator will coordinate for the business unit the preparation of the subcontracting plan to be submitted or negotiated in response to the clause cited in paragraph A.2. and will assist the business unit Marketing or Contract Administration representative in gaining the Contracting Officer's or higher-tier Government contractor's acceptance of the plan.

4. The Director, Government Procurement Programs RCA Staff will provide any further interpretation of this Instruction that may be required.

C. DEFINITIONS AND CRITERIA

1. As used in P.L. 95-507, the implementing DAR and FPR regulations, and this Instruction, the following meanings apply:

   "Small business concern" - a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto;

   "Small business concern owned and controlled by socially and economically disadvantaged individuals" - a small business concern (1) which is at least 51 per cent owned by one or more socially and economically disadvantaged individuals or, in the case of any publicly owned business, at least 51 per cent of the stock of which is owned by one or more socially and economically disadvantaged individuals, and (2) whose management and daily business operations are controlled by one of more of such individuals.

2. A U.S. Government contractor or subcontractor acting in response to the clauses cited in paragraphs A.1. and A.2. above shall presume that socially and economically disadvantaged individuals include Asian-Pacific Americans (i.e., U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, or Taiwan), Black Americans, Hispanic Americans, Native Americans (such as American Indians, Eskimos,

Aleuts and Native Hawaiians), and other minorities, or any other individuals found to be disadvantaged by the U.S. Small Business Administration pursuant to Section 8 (a) of the Small Business Act.

3. An RCA business unit acting in good faith may rely on a written representation by its subcontractor regarding the subcontractor's status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

4. "Women-owned business" - To qualify as a small disadvantaged business, a women-owned business must be a small business concern at least 51 per cent owned and controlled by one of more socially and economically disadvantaged individuals; majority ownership and control by one of more women is insufficient. (Purchasing from women-owned businesses is not required by P.L. 95-507. However, the Government report forms require reporting that statistic, along with other statistics not a part of the law, such as those on doing business with foreign, non-profit, and labor surplus concerns. The women-owned business effort is in response to Executive Order 12138.)

5. Other individuals may qualify as socially and economically disadvantaged under procedures established by the U.S. Small Business Administration, using these guidelines:

   a. Socially disadvantaged individuals are those individuals who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

   b. Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired because of diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged.

6. The Office of Minority Small Business and Capital Ownership Development in the Small Business Administration will answer inquiries from prime contractors and others concerning the class of eligibles.

7. Subcontracting plans are not required of small business concerns.

D. SUBCONTRACTING PLANS

1. When RCA is the apparent successful offeror in response to a solicitation containing a requirement for negotiation of a small and small disadvantaged business subcontracting plan, it must submit and negotiate a subcontracting plan which addresses separately subcontracting with small business concerns and small

disadvantaged business concerns and which shall be made a part of the resultant contract. Failure to submit and negotiate the subcontracting plan shall make RCA ineligible for award. As a minimum, the plan shall include:

▷ a. Separate percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. To be included are all subcontracts to be awarded in performance of the contract; there may be included a proportionate share of supplies and services whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to the contract.

(1) A statement of: (i) total dollars planned to be subcontracted; (ii) total dollars planned to be subcontracted to small business; and (iii) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal supply and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

(3) A statement of the method used in developing proposed subcontracting goals for small business and small disadvantaged business concerns.

(4) If the offeror includes indirect and overhead costs as an element in establishing the goals in the subcontracting plan, the method used in determining the proportionate share of indirect and overhead costs incurred with (i) small business, and (ii) small disadvantaged business subcontractors shall be explained.

(5) A statement of the method used for solicitation purposes (e.g., did the offeror use company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing Council Vendor Information Service, or the services provided by the U.S. Department of Commerce Minority Business Development Agency's Research and Information Division, and the facilities of small business and disadvantaged business trade associations?).

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b. The name of the individual within the employ of the offeror who will administer the subcontracting plan and a description of the duties of the individual.

c. A description of the efforts the offeror will make to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts.

d. Assurances that the offeror will include the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns in all subcontracts which offer further subcontracting possibilities in the United States and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause.

e. Assurances that the offeror will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

f. A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated).

   (1) Small and disadvantaged business source lists, guides, and other data identifying small and small disadvantaged business vendors.

   (2) Organizations contacted for small and disadvantaged business sources.

▷ (3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (i) whether small business was solicited and if not, why not; (ii) whether small disadvantaged business was solicitated and if not, why not; and (iii) reasons for the failure of responding small businesses or small disadvantaged businesses to receive the subcontract award.

▷ Denotes change or addition

(4) Records to support such efforts as:

- (i) contacts with disadvantaged and small business trade associations;
- (ii) contacts with business development organizations; and
- (iii) attendance at small and disadvantaged business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers such as:

- (i) workshops, seminars, training programs, etc., and
- (ii) monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name, address, and size status of subcontractor.

2. When RCA is the apparent low bidder in response to a formally advertised solicitation containing a requirement for submission of a small and small disadvantaged business subcontracting plan, it shall submit such a plan upon request. Failure to submit the subcontracting plan shall make RCA ineligible for award. As a minimum, the plan shall satisfy the requirements described in paragraph D.1. a.-f.

E. IMPLEMENTATION OF SUBCONTRACTING PLAN

In order to implement effectively the plans described in paragraph D.1. and D.2., the contract clause provides that the contractor shall:

1. Issue and promulgate company wide policy statements in support of this effort, develop written procedures and work instructions, and assign specific responsibilities regarding requirements of this clause.

2. Demonstrate continuing management interest and involvement in support of this effort through such actions as regular reviews of progress and establishment of overall corporate and divisional goals and objectives.

3. Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms.

4. Assist small business and small disadvantaged business concerns by arranging solicitations, time for the preparation of bids, quantities, specifications, and delivery schedules so as to facilitate the participartion by such concerns. When the Contractor's lists of potential small business and disadvantaged subcontractors are excessively long, reasonable effort shall be made to give all such small business concerns an opportunity to compete over a period of time.

5. Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.

6. Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

F. EFFECT OF NONCOMPLIANCE

The failure of any contractor or subcontractor to comply in good faith with the clause described in paragraph A.1. when the clause is incorporated in the contract or the subcontract or with an approved plan required as stated in paragraph D.1. or D.2. will be a material breach of the contract or subcontract.

G. REPORTS

Requirements for this section will be incorporated upon release of the regulations and instructions pertaining to the issuance of reports.

RCA Service Company RCA

Number
6-25

Issue Number
1

Procedure

Effective
5/28/80

Subject

Requirements for the Utilization of Small and Small Disadvantaged Business Concerns Program

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Scope: Government Contracts Contracting, Marketing and Purchasing activities.

Purpose: To implement RCA's policy regarding the utilization of small business concerns and small disadvantaged business concerns in the performance on government contracts which invoke PL95-507.

Form: Small Business Check List (Form RCA 329)

Definitions: Small Business Concern - A small business as defined in the Small Business Act and relevant regulations including DAR and FPR. A small business concern is independently owned and operated and is not dominant in the field of operation in which it is bidding for work. In general, a small business concern will have no more than 500 employees.

Small Disadvantaged Business Concern - A small business concern:

a. Which is at least 51% owned by one or more socially and economically disadvantaged individuals; or in the case of any publicly owned business, at least 51% of the stock of which is owned by one or more socially and economically disadvantaged individuals.

b. Whose management and daily business operations are controlled by one or more such individuals. Such individuals include Asian Americans, Black Americans, Hispanic Americans, Native Americans, (such as American Indians, Eskimos, Aleuts and Native Hawaiians) and other minorities, or any other individuals found to be disadvantaged pursuant to the Small Business Act.

c. A firm may self-certify, in writing, as to its status which will be accepted at face value.

PL95-507 - Public Law 95-507 requires that on U.S. government contracts over $10,000 the contractor (RCA Service Company), by acceptance of the contract, agrees to award subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with efficient performance on the contract.

Index:

	Page No.
A. Policy	2
B. General	2
C. Responsibilities	3

Procedure:

A. Policy

It is RCA's policy to ensure that small business concerns and small disadvantaged business concerns have an equal opportunity to engage in open competition for a full and equitable portion of purchases. RCA Service Company is committed to an aggressive pursuit of this policy. Specifications, drawings, and other pertinent data will be made available to technically and financially competent small disadvantaged business concerns for their use in the preparation of bids. All efforts will be made to locate such businesses and to assist and counsel potentially qualified suppliers, as appropriate and practicable.

B. General

1. RCA Service Company, upon receipt of RFP or IFB or upon award of a U.S. government contract or subcontract invoking PL95-507 must:

   - Award subcontracts to small business and small disadvantaged business concerns to the fullest extent consistent with the efficient performance of any contract over $10,000.

   - In addition, for each contract $500,000 or more ($1,000,000 or more for construction), submit and negotiate an acceptable subcontracting plan for small and small disadvantaged business concerns. Included in this plan will be separate percentage goals for each type of business concern and a comprehensive description of efforts to be made to achieve these goals.

2. Purchasing will take the following action to assure compliance with the above requirements.

   - Train and motivate contractor personnel regarding the support of small and small disadvantaged business firms.

- Assist small business and small disadvantaged business concerns by preparing complete solicitations outlining quantities, descriptions, specifications and delivery information and to allow adequate time for response to such solicitations so as to facilitate their participation. Maximum utilization of such business concerns will be made. Reference sources for such concerns are: SBA, PASS; National Supplier Development Council, VIS System; RCA, PSAS System; and other sources developed thru reference to other agencies.
- Provide adequate and timely consideration of the potentialities of small business and small disadvantaged business concerns in all "make-or-buy" decisions.
- Counsel and discuss subcontracting opportunities with representatives of small and small disadvantaged business firms as are referred by the Small and Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

C. Responsibilities

1. Government Services Marketing.

Upon receipt of a solicitation, Request For Proposal (RFP) or Invitation For Bid (IFB), invoking PL95-507:

- Immediately advise the Purchasing activity identifying the RFP/IFB with appropriate references. Include any requirement that may specify specific relationships with a PCO/ACO or designate a SBA Regional Office for the control or reporting aspects of PL95-507.
- Furnish Purchasing with any specific data contained therein which details the use of small or small disadvantaged business concerns.
- Request Purchasing to develop a small and small disadvantaged business subcontracting plan for inclusion in the proposal.

2. Government Services Contracting and Operations Analysis.

a. Upon award of a contract in which PL95-507 was included in the proposal:

- Furnish Home Office Purchasing and applicable Field Office Purchasing with a copy of the Contract Information Summary (CIS) as notification of the PL95-507 requirement.

- The CIS is to include Contract and Proposal number identification and any requirement to implement a negotiated subcontracting plan. If contract changes require the submission of a revised subcontracting plan, notify Purchasing.

b. For contract awards where a PL95-507 subcontracting plan was not previously submitted or when an existing contract is modified to invoke PL95-507:

- Furnish Home Office Purchasing and applicable Field Office Purchasing with a CIS containing the information shown above.

- Request Home Office Purchasing to develop a subcontracting plan.

c. Negotiate all developed subcontracting plan with the appropriate PCO/ACO.

3. Home Office Purchasing.

a. Prepare all PL95-507 subcontracting plans.

b. Be the sole RCA Service Company point-of-contact for all reports, questions, audit and audit review contacts including RCA Staff Materials and the SBA regarding the implementation of PL95-507.

c. The following will be utilized when preparing a subcontracting plan:

- Separate percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. To be included are all first-tier subcontracts to be awarded in performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs when reasonably determined to be attributable to the contract.

- The name of the individual who will administer the subcontracting plan and a description of the duties of the individual.

- A description of the efforts which will be made to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts.

- Assurances that the clause entitled Utilization of Small Business and Small Disadvantaged Business Concerns will be inserted in all subcontracts which offer further subcontracting opportunities and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1 million, to adopt a plan in consonance with this clause.

- Assurances that we will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

- A recitation of the types of records which will be maintained to document routines which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns; and efforts to identify and award subcontracts to such small business concerns.

d. Develop new programs and monitor existing programs designed to increase purchases from small and small disadvantaged business concerns.

e. Establish and use a source list of small and small disadvantaged business concerns.

f. Field and Home Office Purchasing, as appropriate, complete for each purchase order with a value of $10,000 or more, based on a government contract, the appropriate sections of the Small Business Check List (RCA Form 323). The original is to be sent to RCA Small Business Liaison Officer, duplicate is filed in the purchase order folder.

g. Prepare and submit to the appropriate PCO and/or cognizant agency necessary reports as required by PL95-507.

   - A quarterly report showing progress to date on each contract.

   - A quarterly report showing progress on all agency (DoD, DOL, NASA, etc.) contracts.

Copies of each report will be sent to:

Government Services Contracting

Appropriate Field Office Purchasing

RCA Staff Materials

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RCA

Purchasing Manual

Number
G-12304

Issued
2/24/81

Supersedes
9/25/78

Subject
SMALL BUSINESS CHECK LIST

Page
1

A. GENERAL

This Instruction describes the procedure to be followed by Purchasing personnel for all procurements for $10,000 or more which are pursuant to Government contracts or subcontracts.

B. RESPONSIBILITY

1. All Buyers must assure that Small Business firms have been given fair and reasonable consideration prior to the award of each Purchase Order or subcontract. To carry out RCA's Small Business Policy the Buyer must substantiate his or her actions by completing the Small Business Check List form RCA 329 (Exhibit A) for all purchases of $10,000 or more which are pursuant to Government contracts or subcontracts.

2. The Buyer will include information concerning action taken in requesting assistance from the Small Business Administration to obtain small business sources under the RCA Referral Program. For the procedure to be followed, see Instruction G-12308.

3. The Small Business Check List will be reviewed and approved by the appropriate managing Buyer for procurements up to $25,000. The head of the Purchasing activity will review and approve by signature all Check Lists over $25,000.

4. A copy of the Quotation Analysis (RCA 617) form will be attached to the original copy of the Small Business Check List when it is appropriate. The Buyer will indicate on the Quotation Analysis whether the bidder is large or small.

5. A copy of the Purchase Approval Request (RCA 639) should be attached to the original copy of the Check List when it contains background information on the procurement which would be of assistance in reviewing the Check List with Government representatives.

6. A Small Business Check List will be prepared for each Purchase Change Order of $10,000. The original Small Business check List for each order exceeding $10,000 should be issued for full dollar value of the Purchase Order even though the total funding may be restricted. Check lists need not be issued to cover incremental funding releases.

7. The Small Business Check List will not be prepared for Inter-Divisional Transactions or for procurements from a non-profit organization.

EXHIBIT A

FORM RCA 329 - SMALL BUSINESS CHECK LIST

**Small Business
Check List**

Date

For Awards of $10,000 or More

Award Made To: (Vendor Name and Address)

Purchase Order Number

Change Number

Contract Number

Amount of this Award

Total Value of Order

Vendor Code: ________________

Description of Item

Award Made to

☐ Small Business ☐ Large Business ☐ Minority Business

Business Solicited

Number of Small Businesses Solicited

Number of Large Businesses Solicited

Number of Minority Businesses Solicited

☐ Yes ☐ No Letter Sent to Small Business Administration. If No Give Details:

Complete this Section if Award is made to a Large Business

No Small Business Vendor Solicited Because

☐ Customer Directed Source ☐ Proprietary Item (Sole Source) ☐ No Qualified Small Business Known

☐ Single Source Item (Check One Below)

☐ Tooling ☐ Update or Repair ☐ Engineering ☐ Spares, Follow On ☐ Only Approved Source ☐ Funding Request

Small Business Solicited But Did Not Receive Award Because

☐ Small Business Declined to Bid

☐ Small Business Not Price Competitive

☐ Small Business Unable to Meet Delivery Schedule

☐ Small Business Not Technically Responsive

☐ Other Explain

Approvals

Signature of Buyer

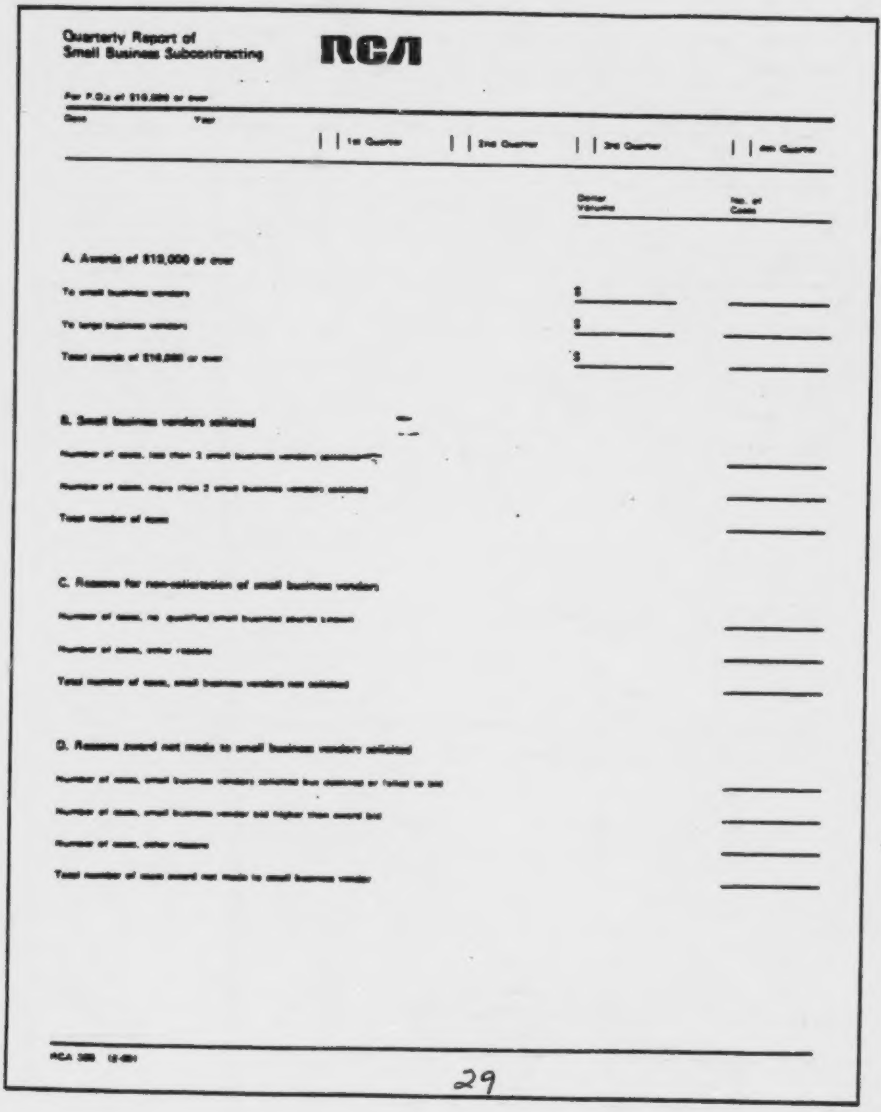
Signature of Purchasing Agent

Division

Location

RCA 329 (2-81)

EXHIBIT B



Quarterly Report of
Small Business Subcontracting

RCA

For P.O.s of $10,000 or over

Date Year

☐ 1st Quarter ☐ 2nd Quarter ☐ 3rd Quarter ☐ 4th Quarter

	Dollar Volume	No. of Cases
A. Awards of $10,000 or over		
To small business vendors	$ ______	______
To large business vendors	$ ______	______
Total awards of $10,000 or over	$ ______	______
B. Small business vendors solicited		
Number of cases, less than 3 small business vendors solicited		______
Number of cases, more than 2 small business vendors solicited		______
Total number of cases		______
C. Reasons for non-solicitation of small business vendors		
Number of cases, no qualified small business source known		______
Number of cases, other reasons		______
Total number of cases, small business vendors not solicited		______
D. Reasons award not made to small business vendors solicited		
Number of cases, small business vendors solicited but declined or failed to bid		______
Number of cases, small business vendor bid higher than award bid		______
Number of cases, other reasons		______
Total number of cases award not made to small business vendor		______

RCA 389 (2-80)

RCA
Purchasing Manual

Number
G-12308
Issued
8/25/77
Supersedes
2/3/64
Page
1

Subject
REFERRAL PROGRAM

This Instruction describes the procedure to be followed by Purchasing personnel regarding procurements for $10,000 or over which are pursuant to Government contract or subcontract and which fall within the parameters of the Referral Program as outlined below.

A. PROCEDURE

1. The Purchasing organization will request, by letter, assistance in obtaining additional small business sources from the Small Business Administration in areas where "no small business source is known," or "where less than three small business sources were known at the time of solicitation" on all procurements $10,000 or over which are pursuant to a Government contract or subcontract.

   The Small Business Administration is most interested in the procurement of items which are repetitive in nature. Therefore, if no small business source is known at the time of solicitation, or fewer than three were solicited, any suggested sources received "after the fact" would, in essence, be given consideration on future solicitations.

2. The letter to the Small Business Administration will include all required information, i.e., prints, specifications, etc., necessary for the SBA to do the proper job of locating sources to recommend. This same information will be directed to the Contracting Officer simultaneously, and a copy of the letter, ONLY, will be mailed to the Corporate Small Business Liaison Officer.

   In those cases where the Purchasing organization has been advised that such requests will be made only through the Contracting Officer, the judgment of the Purchasing Agent or Manager of Materials regarding notification will be completely satisfactory and acceptable.

B. DELAY IN PERFORMANCE

Under no circumstances will any Purchasing organization delay completion of the procurement action by waiting for suggested small business sources, if such delay would in any way affect RCA's performance under the contract or subcontract.

C. COORDINATION

1. Action taken under this Referral Program will be indicated by the Buyer or Subcontract Administrator on the Small Business Check List (Form RCA 329) as directed in Paragraph A.2. of Instruction G-12304.

RCA 1004

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C. (cont'd)

2. All requests for assistance under the Referral Program will be coordinated by an individual (the Small Business Administrator) designated for this purpose by the head of the Purchasing organization. The Buyer or Subcontract Administrator will forward all necessary information to the Small Business Administrator.

U. S. SMALL BUSINESS ADMINISTRATION
REGION IV
1375 Peachtree Street, NE
Atlanta, GA 30367

O: RON SKAGGS, SB/EUS, NAVFAC, CHARLESTON, SC

ROM: GAYLE S. STROMAN, PCR, SBA, NSC, CHARLESTON, SC

UBJECT: RFP/CONTRACT NO. N62467-82-C-0053
SUBCONTRACTING PLAN

ONTRACTOR:
RCA SERVICE COMPANY
BLDG 203-1, Route 38, Cherry Hill, NJ 08358

DATE: 13 April 1983

CONTROL NUMBER: ____________

TOTAL PRICE: Base 3 Mos. $2,023,815
Option 1 Year $6,906,900

TOTAL AMT. SUBCONTRACT: Base 3 Mos. $264,112
Option 1 Year $765,014

ESCRIPTION OF PROCUREMENT BASE OPERATING SERVICES, NAVAL AIR STATION, MEMPHIS, TENNESSEE

SUBCONTRACTING PLAN	PCR		NSB/COD		SCS	
	ACCEPT.	UN-ACCEPT.	ACCEPT.	UN-ACCEPT.	ACCEPT.	UN-ACC
1. GOALS (PERCENTAGE) Base 3 Mos. 53%-$138,897 SMALL BUSINESSES: Option 1 Year 37%-$282,283 SMALL DISADVANTAGED BUSINESSES: Base 3 Mos. 2%-$5,282, Option 1 Year 2%-$15,300	X					
2. COMPANY ADMINISTRATOR - NAME AND DESCRIPTION OF DUTIES	X					
3. ASSURANCE OF COMPETITIVE SUBCONTRACTING OPPORTUNITIES	X					
4. FLOW DOWN CLAUSE AND THRESHOLD SUBCONTRACTING PLANS	X					
5. SUBMITS PERIODIC SUBCONTRACTING COMPLIANCE REPORTS AND COOPERATES AS NECESSARY	X					
6. DEMONSTRATES APPROPRIATE RECORDKEEPING TO ASSURE COMPLIANCE	X					

COMMENTS

Subject subcontracting plan has been reviewed and, in my opinion, is an acceptable plan.

PLEASE USE BACK FOR ADDITIONAL INFORMATION

PROCUREMENT CENTER REPRESENTATIVE

Information Regarding Subcontracting Plan for Contract N00014-83-C-0398

This contract was awarded on April 22, 1983 at a price of $474,353 for the first year's services with two additional option years. A subcontracting plan was not requested for the first year because the contracting officer inadvertently failed to include the value of the options in determining whether the contract may exceed the dollar threshold for subcontracting plans. The contracting officer recently requested a subcontracting plan from the contractor (scheduled for submission by June 12, 1984) to cover both the first option year beginning June 15, 1984 and the second option year. It will be incorporated into the contract after receipt and upon completion of appropriate review, negotiation and approval by the contracting officer.

Information Regarding Subcontracting Plan for Contract N00014-84-C-0210

This contract was awarded on February 13, 1984 and contained two line items for Commercial Activities (CA) functions, one valued at $358,377 and the other valued at $268,055 for the first year. Since there was a potential for two separate contract awards (one for each line item) it was erroneously concluded that subcontracting plans were not required. Also, it was an oversight not to request a subcontracting plan when the awardee was successful on both line items and a single contract was awarded which exceeded the dollar threshold for subcontracting plans. Contract performance started on May 15, 1984 and the contractor has been requested to submit the required subcontracting plan covering the current year and the two option years. The plan will be incorporated into the contract after receipt and upon completion of appropriate review, negotiation and approval by the contracting officer.

N62467-84-C-0001

OM564

ITT Federal Electric Corporation

Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns

9 MARCH 1984

ITT Federal Electric Corp.

SMALL BUSINESS & SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN   DATE: ____________________

CONTRACTOR: FEDERAL ELECTRIC CORPORATION (FEC)

ADDRESS: 621 Industrial Avenue, Paramus, NJ 07652

SOLICITATION OR CONTRACT NUMBER: RFP N62467-84-R-0001

ITEM/SERVICE: BASE OPERATING SERVICES

1. The following, together with any attachments, is hereby submitted as a Subcontracting Plan to satisfy the applicable requirements of Public Law 95-507 as implemented by OFPP Policy Letter 80-2.

(a) The total estimated dollar value of all planned subcontracting (to all types of busines concerns) under this contract is $500,000.

(b) The following percentage goals (expressed in terms of a percentage of total planned subcontracting dollars) are applicable to the contract cited above or to the contract awarded under the solicitation cited.

(i) Small Business (SB) Concerns: 62% of total planned subcontracting dollars under this contract will go to subcontractors who are small business concerns.

(ii) Small Disadvantaged Business (SDB) Concerns: Four percent of total planned subcontracting dollars under this contract will go to subcontractors who are small business concerns owned and controlled by socially and economically disadvanged individuals. *This percentage is included in the percentage shown under 1.(b)(i), above, as a subset.*

(c) The following dollar values correspond to the percentage goals shown in (a) above.

(i) Total dollars planned to be subcontracted to small business concerns: $310,000.

(ii) Total dollars planned to be subcontracted to small disadvantaged business concerns: $20,000. This dollar amount is included in the amount shown under 1.(c)(i), above, as a subset.

(d) The following principal products and/or services will be subcontracted under this contract, and the distribution among small and small disadvantaged business concerns is as follows:

(Products/services planned to be subcontracted to small business concerns are identified by *-To small disadvantaged business concerns by **)

**Electrical Materials/Repair Parts	$ 40K
**Mechanical Materials/Repair Parts	50K
**Building Supplies/Materials	40K
**Chemical Products	50K
**Office Equipment	30K
**Office Supplies	20K
**Vehicle Lease	165
**Vehicle Parts	55K
*Instrumentation and Electronic Parts	25K
*Electronic Assembly Repair	10K
**Tools (Hand)	15K

Attached as Exhibit A is a preliminary listing of Small and Small Disadvantaged sources who will be given the opportunity to quote on the above listed products and services.

(e) The following method was used in developing subcontract goals. The Small Business Administration Procurement Automated Source System (PASS), and the Atlanta Regional Minority Purchasing Council was queried to provide a preliminary listing of Small and Small Disadvantaged businesses located in the vicinity of Kings Bay, Georgia. Based upon the number of sources for each category and our judgement as to how many will actually compete (using our experience on BMEWS/DEWLine, Western Test Range and other programs), we have constructed the following schedule of individual targets:

ITT Federal Electric Corp.

Product/Service Category	Total Subcontract Value	Small Business Target	Small Disadvantaged Business Target
Electrical Materials/ Repair Parts	$ 40K	$25K	$ 1.0K
Mechanical Matrls/ Repair Parts	50K	32.5K	1.5K
Building Supplies/ Equipment	40K	30K	2.0K
Chemical Products	50K	35K	.5K
Office Equipment	30K	22.5K	1.5K
Office Supplies	20K	17K	1.0K
Vehicle Lease	165K	92K	10.5K
Vehicle Parts	55K	46.5K	1.5K
Instrumentation/ Electronic Parts	25K	3.5K	——
Electronic Assembly Repair	10K	1.5K	——
Tools (Hand)	15K	8K	1.5K
	$500K	$313.5K	$21K

(f) Indirect and overhead costs have not been included in the goals specified in 1(a) and 1(b).

(g) FEC is investigating the use of a minority-owned bank for its payroll account. Our projected annual payroll account should measure $8,000,000 estimated flow through. FEC estimates that $100,000 in fees would be paid on this account. These fees would subsequently be added to our Small Disadvantaged Business goal.

2. The following *individual* will administer the subcontracting program:

Name: J. J. Powers

Address & Telephone: Federal Electric Corporation, 621 Industrial Avenue, Paramus, NJ 07652 (201) 967-2272

Title: Small and Disadvantaged Business Liaison Officer

This individual's specific duties, as they relate to our subcontracting program, are as follows:

General overall responsibility for the company's Small Business Program, the development, preparation and execution of individual subcontracting plans and for monitoring performance relative to contractual subcontracting requirements contained in this plan, including but not limited to:

(a) Developing and maintaining bidders lists of Small and Small Disadvantaged Business concerns from all possible sources.

(b) Ensuring that procurement packages are structured to permit Small and Small Disadvantaged Business concerns to participate to the maximum extent possible.

(c) Assuring inclusion of Small and SDB concerns in all solicitations for products or services which they are capable of providing.

(d) Reviewing solicitations to remove statements, clauses, etc., which may tend to restrict or prohibit SB and SDB participation.

(e) Ensuring periodic rotation of potential subcontractors on bidders lists.

(f) Ensuring that the bid proposal review board documents its reasons for not selecting low bids submitted by Small and Small Disadvantaged Business concerns.

(g) Ensuring the establishment and maintenance of records of solicitation and subcontract award activity.

(h) Attending or arranging for attendance of company counsellors at Business Opportunity Workshops, Minority Business Enterprise Seminars, Trade Fairs, etc.

(i) Conducting or arranging for conduct of motivational training for purchasing personnel pursuant to the intent of P.L. 95-507.

(j) Monitoring attainment of proposed goals.

(k) Preparing and submitting periodic subcontracting reports required.

(l) coordinating company activities during the conduct of compliance reviews by Federal agencies.

(m) Coordinating the conduct of company activities involving its Small and Small Disadvantaged Business subcontracting program.

(n) Additions to (or deletions from) the duties specified above are as follows: None.

3. The following efforts will be taken to assure that Small and Small Disadvantaged Business concerns will have an equitable opportunity to compete for subcontracts:

(a) Outreach efforts will be made as follows:

(i) Contacts with Minority and Small Business trade associations

(ii) Contacts with business development organizations

(iii) Attendance at Small and Minority Business procurement conferences and trade fairs

(iv) Sources will be requested from SBA's PASS system, and other Minority Business organizations.

(b) The following internal efforts will be made to guide and encourage buyers:

(i) Workshops, seminars and training programs will be conducted.

(ii) Activities will be monitored to evaluate compliance with this subcontracting plan.

(c) Small and Small Disadvantaged Business concern source lists, guides and other data identifying Small and Small Disadvantaged Business concerns will be maintained and utilized by buyers in soliciting subcontracts.

(d) Additions to (or deletions from) the above listed efforts are as follows: None.

4. FEC agrees that the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals will be included in all subcontracts which offer further subcontracting opportunities, and all subcontractors except Small Business concerns who receive subcontracts in excess of $500,000 will be required to adopt and comply with a subcontracting plan similar to this one. Such plans will be reviewed by comparing them with the provisions of Public Law 95-507, and assuring that all minimum requirements of an acceptable subcontracting plan have been satisfied. The acceptability of percentage goals shall be determined on a case-by-case basis depending on the supplies/services involved, the availability of potential Small and Small Disadvantaged subcontractors, and prior experience. Once approved and implemented, plans will be monitored through the submission of periodic reports, and/or, as time and availability of funds permit, periodic visits to subcontractors' facilities to review applicable records and subcontracting program progress.

5. FEC agrees to submit periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the bidder with the subcontracting plan and with the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, contained in the contract. The Company agrees to submit subcontracting reporting forms SF 294 and SF 295 in accordance with instructions provided on the form.

6. FEC agrees that it will maintain at least the following types of records to document compliance with this subcontracting plan:

(a) Small and Small Disadvantaged Business concern source lists, guides and other data identifying SB/SDBC vendors.

(b) Organizations contacted for Small and Disadvantaged Business sources.

(c) On a contract-by-contract basis, records on all subcontractor solicitations over $100,000, indicating on each solicitation (1) whether Small Business concerns were solicited, and if not, why not; (2) whether Small Disadvantaged Business concerns were solicited, and if not, why not; and (3) reasons for the failure of solicited Small or Small Disadvantaged Business concerns to receive the subcontract award.

(d) Records to support other outreach efforts: Contracts with Minority and Small Business Trade Associations, etc. Attendance at Small and Minority Business procurement conferences and trade fairs.

(e) Records to support internal activities to guide and encourage buyers: Workshops, Seminars, training programs, etc. Monitoring activities to evaluate compliance.

(f) On a contract-by-contract basis, records to support subcontract award data to include name and address of subcontractor.

(g) Records that will be maintained in addition to the above are as follows: None.

Signed: ______________________________

Typed Name: ______________________________

Title: ______________________________

Date: ______________________________

Plan Accepted By: ______________________________
Contracting Officer

Date: ______________________________

NOTE TO CONTRACTING OFFICER: Upon incorporation of a plan into the contract indicate herein the estimated dollar value of Contract $__________

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EXHIBIT A

LIST OF SMALL & SMALL DISADVANTAGED BUSINESS CONCERNS

NAME & ADDRESS	SMALL OR SMALL DISADVANTAGED
Aalem Travel, Ltd. 555 South Omni International Atlanta, GA 30335	Small
ABC Incorporated 3009 Rainbow Drive/Suite C Decatur, GA 30034	Small
ABP 513 Edgewood Avenue, NE Atlanta, GA 30312	Small Disadvantaged
AB-Tech Construction Company 3480 Greenbriar Parkway, SW/Suite 214 Atlanta, GA 30331	Small Disadvantaged
A. C. Johnson Construction Co., Inc. 168 Sisson Avenue, NE Atlanta, GA 30317	Small
Action Data Supplies, Inc. 75 Piedmont Avenue, NE/Post Office Box 48402 Atlanta, GA 30362	Small
A. D. Espinoza Construction Company 3695 McElroy Road Doraville, GA 30340	Small Disadvantaged
Allied Paper and Supply, Inc. 7173 Covington Highway Lithonia, GA 30058	Small Disadvantaged
Altman Pallets, Inc. Post Office Box 6296 Athens, GA 30604	Small
Amalgamated Packagers of Atlanta, Inc. Post Office Box 43331 Atlanta, GA 30336	Small
Anarco Janitorial Services, Inc. 594 Simmons Street Atlanta, GA 30318	Small
Art Johnson Office Supply Company 510 Whitehall Street, SW Atlanta, GA 30303	Small Disadvantaged
Atlantic Industrial Sales, Inc. 120 Fahn Street/Post Office Box 1487 Savannah, GA 31498	Small
Atlanta International Distributors, Inc. 133 Luckie Street/Suite 406 Atlanta, GA 30303	Small Disadvantaged

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NAME & ADDRESS	SMALL OR SMALL DISADVANTAGED
Atlanta Management Analysts Systems, Inc. Greenbriar Executive Office Park/Suite 206 Atlanta, GA 30331	Small Disadvantaged
Atlanta National Janitorial, Inc. 1707A Stewart Avenue, SW Atlanta, GA 30315	Small Disadvantaged
A.G.E. Stainless Steel Specialty Company 2501 Park Central Boulevard Decatur, GA 30035	Small
Best Office Supply Company 553 Ashby Street, SW Atlanta, GA 30310	Small
Bobby R. Lucas Heating and Air Conditioning Post Office Box 42581 Atlanta, GA 30311	Small
Brown Office Supply Services, Inc. 477 Peachtree Street, NE Atlanta, GA 30308	Small Disadvantaged
Budget Copy-Fast 3010-C Campbellton Road, SW Atlanta, GA 30311	Small Disadvantaged
Call Office Supply 139 Renaissance Parkway, NE Atlanta, GA 30308	Small
Carver State Bank Post Office Box 2769 Savannah, GA 31402	Small
Clark/Robinson, Inc. 4450 Frederick Drive, SW Atlanta, GA 30336	Small
Clemon's Chemical Company 2241 Bankhead Highway Austell, GA 30001	Small Disadvantaged
Coastal Industrial Supply, Inc. 455 Mall Boulevard, #80 Savannah, GA 31406	Small
Continental Technical Services, Inc. 270 Carpenter Drive/Suite 460 Atlanta, GA 30328	Small
Cort & Lopez International Corporation 2964 Ember Drive/Suite 139 Decatur, GA 30034	Small Disadvantaged
Curtis Office Products 1813 Candler Road Decatur, GA 30032	Small
Curry Bros. Sand Mining & Dredging Company Curry Asphalt Company Curry Construction Post Office Box 12541 Atlanta, GA 30315	Small

NAME & ADDRESS	SMALL OR SMALL DISADVANTAGED
D & E Construction Company, Inc. 3254 Tulip Drive Decatur, GA 30032	Small
Demco Products Post Office Box 1192 Marietta, GA 30066	Small Disadvantaged
Distributor's Ltd. Post Office Box 1374 Cartersville, GA 30120	Small
Diverse Markets Seasonal Sales and Services, Inc. Post Office Box 90664/East Point, GA 30364 3524 Leigh Circle, SW East Point, GA 30344	Small
E.D.E. Enterprises and Loan Consulting 2520 Lloyd Road Decatur, GA 30032	Small Disadvantaged
Emerson Electric Company 821 Holley Drive Albany, GA 31705	Small Disadvantaged
Environmental Energy Research Corporation Administration Building/4684 Jakes Trail Parkway Post Office Box 370425 Decatur, GA 30034	Small Disadvantaged
E.R. Mitchell Construction Company 2875 Bankhead Highway Atlanta, GA 30318	Small
Everest Travel, Inc. 3390 Peachtree Road, NE/Suite 106 Atlanta, GA 30326	Small Disadvantaged
Everlast Business Furniture, Inc. Post Office Box 917 Conyers, GA 30207	Small
Exclusive Temporaries of Georgia, Inc. 915 Cain Tower Atlanta, GA 30303	Small
F & D Electric, Ltd. 2523 Rossevelt Highway/Suite 3-D College Park, GA 30337	Small
Fulton Scientific Plumbing, Inc. 199 Walker Street Atlanta, GA 30314	Small Disadvantaged
Gandy's Dry Cleaners, Inc. 2637 Martin Luther King Jr. Drive Atlanta, GA 30311	Small
Grant Painting Contractors 4242-T Wesley Club Drive Decatur, GA 30084	Small

NAME & ADDRESS	SMALL OR SMALL DISADVANTAGED
Harris Laboratories 4626 Washington Road Post Office Box 4176 Atlanta, GA 30302	Small Disadvantaged
Harry L. Stephens, Inc. 103 Longshore Drive Columbus, Ga 31907	Small
Henderson Travel Service, Inc. 931 Martin Luther King Jr. Drive, NW Atlanta, GA 30314	Small Disadvantaged
Herts Business Systems 1190 West Druid Hill, NE/Suite 125 Atlanta, GA 30329	Small
H & T's Magic Mist 2701 Glenwood Avenue, SE Atlanta, GA 30317	Small Disadvantaged
H & T Masonry Contractor, Inc. 1460 Timus Circle, SE Atlanta, GA 30316	Small Disadvantaged
Holiday Connections, Inc. 2300 Henderson Mill Road/Suite 100 Atlanta, GA 30345	Small Disadvantaged
Industrial Tool Distributors, Inc. Post Office Box 17523 Atlanta, GA 30316	Small
International Business and Office Products, Inc. Post Office Box 41706 Atlanta, GA 30331	Small Disadvantaged
I.Q. Industries, Inc. Post Office Box 248 Dawsonville, GA 30534	Small Disadvantaged
Jerry and Son Hauling 55 Morris Brown Drive, SW Atlanta, GA 30314	Small Disadvantaged
Johnson, Allen & Associates 3001 North Fulton Drive/Suite 801 Atlanta, GA 30363	Small Disadvantaged
Johnson Concrete Company, Inc. 168 Sisson Avenue, NE Atlanta, GA 30317	Small Disadvantaged
Judge Exterminating Company 306 Laurel Avenue, SW Atlanta, GA 30310	Small Disadvantaged
Kay Gallery Locksmith and Security Corporation 2625 Sullivan Road College Park, GA 30337	Small

NAME & ADDRESS	SMALL OR SMALL DISADVANTAGED
Klaudt Indian Chemical Corporation 200 Piedmont Court Doraville, GA 30340	Small Disadvantaged
Lamar Office Supply 2801 Lakewood Avenue, SW Atlanta, GA 30315	Small
Little Janitorial Services, Inc. 3514 Meadowridge Drive, SW Atlanta, GA 30331	Small
Master Coating, Inc. 3002 Shallowford Road Chamblee, GA 30341	Small
Medical Support, Inc. 3375 Columbia Woods Drive Post Office Box 371140 Decatur, GA 30037-1140	Small
M.E.T. Thomas, Inc. 3676 Stone Road, SW Atlanta, GA 30331	Small Disadvantaged
Metro Auto Service 3800 Wendell Drive/Suite 306 Atlanta, GA 30336	Small
Metro Pallets Corporation Post Office Box 283/Cleveland Avenue Locust Grove, GA 30248	Small Disadvantaged
Minority Transport of Georgia, Inc. 4126 Pleasantdale Road, #B-117 Atlanta, GA 30340	Small Disadvantaged
Montego World Travel, Inc. 41 Marietta Street Atlanta, GA 30303	Small Disadvantaged
Mutual Federal Savings and Loan Association of Atlanta 205 Auburn Avenue, NE Atlanta, GA 30303	Small
Northwest Janitorial Services Post Office Bos 93144 Atlanta, GA 30318	Small Disadvantaged
Paragon Diversified Services, Inc. 5025 Roswell Road/Suite 306 Atlanta, GA 30342	Small
Parks Electric Company Route 1/Post Office Box 132A Jenkinsburg, GA 30234	Small
Pat Temporary Help Service 477 Windsor Street, SW Atlanta, GA 30312	Small Disadvantaged

ITT Federal Electric Corp.

NAME & ADDRESS	SMALL OR SMALL DISADVANTAGED
Polytech, Inc. 148 International Boulevard/Suite 560 Atlanta, GA 30303	Small Disadvantaged
Premier Electric Supply, Inc. 229 Peachtree Street, SW Atlanta, GA 30303	Small Disadvantaged
Pro Tool & Fasterner, Inc. 6920 Peachtree Industrial Boulevard Norcross, GA 30071	Small
Quick Fleet Tire Sales and Service 3075 Bankhead Highway, NW Atlanta, GA 30318	Small
Rainbow Leasing 2964 Ember Drive/Suite 114 Atlanta, GA 30342	Small
RBK Enterprise, Inc. 1739 Sands Place/Suite C Marietta, GA 30067	Small
R & D Drilling & Testing, Inc. 2731 Waters Road, SW Atlanta, GA 30354	Small
Reliable Painting & Contracting 2031 Nettie Court Decatur, GA 30032	Small Disadvantaged
Riley & Bradley Construction Company, Inc. 3504 Jonesboro Road, SE Atlanta, GA 30354	Small Disadvantaged
Shah Construction Company 606 Delmar Avenue, SE Atlanta, GA 30312	Small Disadvantaged
Shannon Press 1823 Martin Luther King Jr. Drive, SW Atlanta, GA 30310	Small
Sheet Metal Installers, Inc. 636 Kentucky Street Scottdale, GA 30079	Small
Smith Alternator & Starter 3483-B Memorial Drive Atlanta, GA 30032	Small
Snelling and Snelling Painting & Decorating Contractors, Inc. 2900 Camp Creek Parkway/Suite D-16 College Park, GA 30337	Small Disadvantaged
Southeastern Chemical Manufacturing and Distribution Corporation 1959 Boulevard Drive, SE Atlanta, GA 30317	Small Disadvantaged
Southern Sanitary Supplies Post Office Box 2232 Savannah, GA 31402	Small Disadvantaged

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NAME & ADDRESS	SMALL OR SMALL DISADVANTAGED
Standard Chemical Company 765 Martin Luther King Jr. Drive, NW Atlanta, GA 30314	Small
Stephens Electric Company, Inc. Post Office Box 89051 Atlanta, GA 30312	Small Disadvantaged
Sterling Experienced Movers 548 Fraser Street Atlanta, GA 30312	Small
Sutton's Supply Mart 2329 Cascade Road, SW Atlanta, GA 30311	Small Disadvantaged
Tempa of Atlanta Employment Services, Inc. 40 Marietta Street, NW/Suite 1400 Atlanta, GA 30303	Small Disadvantaged
The Perfect Painting Company 2520 Lloyd Road Decatur, GA 30032	Small
Three H Typewriter Service, Inc. 3878-B North Peachtree Road Chamblee, GA 30341	Small
T-Marck International Travel 175 Houston Street/Suite 234 Atlanta, GA 30303	Small Disadvantaged
TPI Construction Supplies Post Office Box 11169 Atlanta, GA 30310	Small
Travel Easy America, Inc. 2675 Paces Ferry Road/Suite 120 Paces Cumberland Building Atlanta, GA 30339	Small Disadvantaged
United Seal & Rubber Company, Inc. 2980-J Pine Street Decatur, GA 30030	Small Disadvantaged
Urban Coatings Post Office Box 91037 East Point, GA 30364	Small Disadvantaged
Vulcan Safety Shoe Service Corporation 4764 Hammermill Road Tucker, GA 30084	Small
Ware Printing and Publishing, Inc. 933 Pryor Street, SW Atlanta, GA 30312	Small
Watson Builer's Supply Company 2625 Martin Luther King Jr. Drive, SW Atlanta, GA 30311	Small Disadvantaged
Zachery Auto Parts Company 2596 Bankhead Highway, NW Atlanta, GA 30318	Small Disadvantaged

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Department of the Navy
Information on Military Recruitment Advertising Contracts
Grouped by Contracting Activity
(Requested during April 10, 1984 Hearing and
Committee Letter of April 30, 1984)

KEY TO ANSWERS

A. Contract number
B. Term of contract, including options if considered in the evaluation for award
C. Name and address of contractor
D. Dollar amount of contract (or cumulative amount of orders, as appropriate)
E. Brief explanation of the subcontracting plan
(or why one was not included, e.g. total small business set-aside (SBSA) or awarded to small business)
F. Copy of the approved subcontracting plan

Enclosure (3)

Headquarters United States Marine Corps

Military Recruitment Advertising

1. A. M00027-79-G-0070
   B. Fiscal Year 1980 with options for Fiscal Years 1981 and 1982
   C. J. Walter Thompson Company, New York, NY
   D. FY 80 $16.1 million
   FY 81 $12.5 million
   FY 82 $14.5 million
   E. The plans included goals for both small and small disadvantaged businesses. They were reviewed by the Navy Small and Disadvantaged Business Utilization Specialist and approved by the contracting officer based on evidence that the contractor was making a concerted effort to locate and do business with small and small disadvantaged business firms, that an individual was designated to monitor compliance with the plans, and that the elements of the plans met the requirements of the pertinent regulations.
   F. See Tabs A and B for Plans

2. A. M00027-82-D-0084
   B. Fiscal Year 1983 with options for Fiscal Years 1984 and 1985
   C. J. Walter Thompson Company, Washington, D.C.
   D. FY 83 $13.17 million
   FY 84 $ 6.82 million through May
   E. The plan includes goals for both small and small disadvantaged businesses. It was reviewed by the Navy Small and Disadvantaged Business Utilization Specialist and approved by the contracting officer based on evidence that the contractor was making a concerted effort to locate and do business with small and small disadvantaged business firms, that an individual was designated to monitor compliance with the plan, and that the elements of the plan met the requirements of the pertinent regulations.
   F. See Tab C for Plan

Naval Regional Contracting Center, Washington, D.C.

Military Recruitment Advertising

1. A. N00600-82-C-0001
   B. 1 Oct 81 through 30 Sep 84
   C. Ted Bates and Company, New York, NY
   D. Total estimated CPFF $37,807,679.
   E. Although the original subcontracting plan was rejected by the Navy, it was rewritten by the contractor and approved by the contracting officer. The revised plan was considered acceptable based on historical data and information furnished in the plan. The plan included goals of $976,000 (12.2%) for small business and $136,000 (1.7%) for small disadvantaged business.
   F. See Tab D for Plan

Naval Regional Contracting Center, Philadelphia, PA

Military Recruitment Advertising

1. A. Contract No: N00140-84-D-1405
B. Term of Contract: One year with 2 one year options
C. Name of Contractor: E.I. Advertising, San Francisco, CA
D. Dollar Amount: $1,639,650.00
E. 100% SBSA
F. N/A

2. A. Contract No: N00140-83-D-0039
B. One Year
C. Rodgers, Cauthen, Barton, Cureton, Inc., Columbia, SC
D. $550,740.00
E. 100% SBSA
F. N/A

3. A. Contract No: N00140-83-D-3235
B. One Year with one year option
C. The Gerard Company, Linthicum, MD
D. $952,640.00
E. 100% SBSA
F. N/A

4. A. Contract No: N00140-82-D-9673
B. One Year
C. Detroit Free Press, Detroit, MI
D. $36,000.00
E. 100% SBSA
F. N/A

5. A. Contract No. N00140-82-D-0974
B. 26 Oct 81 through 30 Sep 82
C. The Gerard Company, Linthicum, MD
D. $688,298.00
E. 100% SBSA
F. N/A

6. A. Contract No: N00140-81-D-3106
B. 8 months - 14 Jan 81 through 30 Sep 81
C. American Advertising, Inc., Philadelphia, PA
D. $43,393.75
E. 100% SBSA
F. N/A

7. A. Contract No: N00140-82-D-3204
B. 30 Dec 81 through 30 Sep 82
C. Greene, Gladmore & Assoc., Washington, DC
D. $567,940.00
E. 100% SBSA
F. N/A

8. A. Contract No: N00140-81-D-0631
   B. 20 Jan 81 - 30 Sep 81
   C. The Gerard Company, Linthicum, MD
   D. $101,981.00
   E. 100% SBSA
   F. N/A

9. A. Contract No: N00140-81-D-1230
   B. 23 Jan 81 through 30 Sep 81
   C. The Gerard Company, Linthicum, MD
   D. $87,710.00
   E. 100% SBSA
   F. N/A

10. A. Contract No: N00140-81-D-0349
    B. 01 Oct 80 through 30 Sep 81
    C. American Advertising Services, Philadelphia, PA
    D. $25,000.00
    E. 100% SBSA
    F. N/A

11. A. Contract No: N00140-81-D-0747
    B. 25 Apr 80 - one year
    C. Greenwood Assoc., Inc., Philadelphia, PA
    D. $87,038.00
    E. 100% SBSA
    F. N/A

12. A. Contract No: N00140-84-D-3575
    B. One Year
    C. Indianapolis Star & News, Indianapolis, IN
    D. $11,700.00
    E. 100% SBSA
    F. N/A

13. A. Contract No: N00140-84-D-3574
    B. One Year
    C. Detroit News, Detroit, MI
    D. $38,000.00
    E. 100% SBSA
    F. N/A

14. A. Contract No: N00140-84-D-3572
    B. One Year
    C. Detroit Free Press, Detroit, MI
    D. $26,000.00
    E. 100% SBSA

15. A. Contract No: N00140-84-D-3562
    B. One Year
    C. Cleveland Plan Dealer, Cleveland, OH
    D. $14,000.00
    E. 100% SBSA
    F. N/A

16. A. Contract No: N00140-84-D-3570
    B. One Year
    C. Akron Beacon Journel, Akron, OH
    D. $10,000.00
    E. 100% SBSA
    F. N/A

17. A. Contract No: N00140-840D-3573
    B. One Year
    C. Courrier Journal & Louisville Times, Louisville, KY
    D. $6,230.00
    E. 100% SBSA
    F. N/A

18. A. Contract No: N00140-84-D-3571
    B. One Year
    C. Columbus Dispatch, Columbus, OH
    D. $6,250.00
    E. 100% SBSA
    F. N/A

Naval Regional Contracting Center, Long Beach, CA

Military Recruitment Advertising

1. A. Contract No: N00123-82-D-0607
   B. Term: 23 Apr 82 - 22 Apr 83
   C. Contractor: Klein - Sieb Advertising, Inc., Dallas, TX
   D. Amount: $99,000.00
   E. Awarded to Small Business
   F. N/A

Naval Supply Center, Charleston, SC

Military Recruitment Advertising

1. A. Contract No: N00612-81-D-0615
   B. Term of Contract: 13 Aug 81 - 30 June 84
   C. Name of Contractor: The Gerard Company, Baltimore, MD
   D. Amount: $606,025.00
   E. 100% SBSA
   F. N/A

2. A. Contract No: N00612-83-D-0222
   B. 1 July 83 - 30 June 84
   C. Sieb - Taylor Griffin Inc., Dallas, TX
   D. $291,175.00
   E. 100% SBSA
   F. N/A

3. A. Contract No: N00612-82-D-0368
   B. 14 July 82 - 13 July 84
   C. Sieb -Taylor Griffin Inc., Dallas, TX
   D. $634,560.00
   E. 100% SBSA
   F. N/A

4. A. Contract No: N00612-80-D-0315
   B. 13 Feb 80 - 13 May 82
   C. Klien - Sieb Advertising, Atlanta, GA
   D. 100% SBSA
   E. N/A

M00027-79-G-0070

J. WALTER THOMPSON COMPANY

1156 FIFTEENTH STREET, N. W.
WASHINGTON, D. C. 20005

February 3, 1981

Mr. Frank Ledford
Headquarters, U.S. Marine Corps
Contracting Branch
Code LBC-4
Washington, D.C. 20380

Dear Frank:

Attached please find J. Walter Thompson's Subcontracting Plan for your review and approval.

Please also note the memorandum from our President and Chief Operating Officer, Greg Bathon, which I have attached as further evidence of our continuing commitment to Public Law 95-507.

Please feel free to call with any questions or comments.

Sincerely,

Janice Callan

Janice Callan
Account Coordinator

CC: John Wood
Jim Willette

J. WALTER THOMPSON U. S. A., INC.
420 LEXINGTON AVENUE, NEW YORK, N.Y. 10017
(212) 867-1000

EDWARD G. A. BATHON

Memorandum to: Agency General Managers

From: Greg Bathon

Re: Selection of Suppliers to Federal Government Accounts

The compliance by J. Walter Thompson Company, USA, Inc., with both the spirit and the letter of the initiative of the federal government mandated by a congressional law (PL 95-507) with respect to the subcontracting of public funds to small and disadvantaged business firms is a subject of vital concern to the management of this company.

As you may be aware, we are required to submit quarterly reports to the federal government specifying the actual amounts of money we spend with what we usually call "minority owned and operated" firms.

Please advise the people in your office who are responsible for making these commitments that management expects them to ensure that qualified minority suppliers are sought out and utilized to the fullest extent possible. Reference materials listing possible suppliers are on order and will be sent to you as soon as they are available.

Your personal and professional commitment is essential to the success of this effort.

PRESIDENT, CHIEF OPERATING OFFICER

2

SUBCONTRACTING PLAN
SUBMITTED IN ACCORDANCE WITH
PUBLIC LAW 95-507

1. Contract Number: #M00027-790C0070

2. Contractor Name: J. Walter Thompson Company
Division: JWT-USA

3. Name of Individual completing this Plan: John R. Wood
Telephone Number: (202)861-8555

4.

	Total Estimated Cost of Prime Contract	Total Estimated Cost of Subcontract
Dollars	$12,653,342.86	$10,309,199.86
Percentage Goals		
Small Business	30.8 %	37.8 %
Small Disadvantage Business	2.7 %	3.29 %

5. Comments on goals, subcontracting possibilities, and past performance of the concerns, subcontracting with Small Business and Small Disadvantaged Business as they pertain to this procurement: (Attachments may be used)

(Please see Tab A)

6. The designated individual within the employ of the prime contractor builder or offeror who will administer the subcontracting program of this contract is:

Name: Ms. Janice Callan
Title: Minority Subcontracting Administrator
Address: J. Walter Thompson Company
City, State, Zip: 1156 - 15th Street, NW Washington, DC 20005
Telephone No.: (202) 861-8551

Her duties are as follows: (Please see Tab B)

3

7. Describe the efforts that will be taken to assure Small Business and Small Business concerns owned and controlled by the socially and economically disadvantaged will have an equitable opportunity to compete for subcontracts as they pertain to this procurement: (Attachment may be used)

(Please see Tab C)

8. Provide a recitation of the types of records your concern will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of Small Business concerns and Small Business concerns owned and controlled by socially and economically disadvantaged individual; and efforts to identify and award subcontracts to such Small Business concerns as they pertain to this procurement: (Attachments may be used)

(Please see Tab D)

9. I, the undersigned, a designated officer of J. Walter Thompson Company
Company Name
do herewith assure that this concern will include the clause required by this contract in all subcontracts which offer further subcontracting opportunities, and that as the prime contractor we will require all subcontractors (except Small Business concerns) who receive subcontracts in excess of $1,000,000 in the case of a contract for construction of any public facility, or in excess of $500,000 in the case of all other contracts, to adopt a plan similar to this plan. I further assure that as the prime contractor we will submit such periodic reports and cooperate in any studies or surveys as may be required by the Contracting Federal Agency of the Small Business Administration in order to determine the extent of compliance to this plan.

Signature

Vice President
Title

5. In addressing the question of what goals J. Walter Thompson Company will set regarding subcontracting possibilities, it is important to look at both Corporate Policy and past history.

   A) Corporate Policy Re Disadvantaged Individuals & Concerns

   The J. Walter Thompson Company has long maintained a policy of seeking out qualified minority owned-and-operated concerns to supply goods and services for all its clients, including the United States Marine Corps. To focus more clearly on the ways this policy can be implemented, it is necessary to look at the services provided by JWT and its subcontractors.

   As the only government supplier of Marine Corps Recruitment and Retention advertising services, work to be performed by the Basic Ordering Agreement can be characterized as follows:

   B) Work Provided by Prime Contractor (JWT)

   J. Walter Thompson supplies technical advice, marketing consultation, communications planning, supervision and evaluation. JWT also develops media plans, executes media purchases (subcontracts) and provides evaluations of media delivery. In short, the primary contractor's goals are to ensure that the right people are reached with the right message(s) for the least possible cost to the government.

   C) Work Provided by Subcontractors

   The selection of media to be used by J. Walter Thompson in order to produce effective advertising for the government is dependant upon the medium's ability to deliver the appropriate type of message. Another factor in this selection process is the search for those media which can accomplish these objectives at the least cost to the government. Here, comparisons are usually based upon the cost to reach 1,000 target persons.

As prospects for subcontracting media dollars are sought out, and attempts made to set goals, we are constrained by the number of companies which meet the selection criteria outlined in PL 95-507. This fact is particularly disturbing when one considers the proportion of subcontracting dollars which are devoted to media placement (roughly 90% in 1981). The matter is further compounded by the fact that the best media strategy for the Marine Corps calls for the placement of a large portion of funds in national magazines that have demonstrated their ability to provide the greatest returns for dollars expended. Unfortunately, there are no truly disadvantaged, small businesses which publish the national magazines that reach the target audience using the appropriate format.

In order to put the matter into prospective, Exhibit I, breaks out expenditures in 1980. It reflects the dollar amounts subcontracted to small, small disadvantaged, and large concerns, as well as the amount spent with vendors of unknown status.

By way of comparison, Exhibit 11 forecasts expenditures for 1981. From this, and other records kept on JWT's past performance in the area of subcontracting, we can set forth a goal that is both realistic and ambitious.

1980 EXPENDITURES

SUBCONTRACT TYPE	TOTAL FY EXPENDITURES	SMALL	Small & Disadvantaged	LARGE %
Non Media	$2,764,872.01	$1,904,281.80(68.9%)	$ 45,709.12(1.6%)	$ 814,881.09(29.5%)*
Media				
Newspapers	388,141.41	344,418.99(88.7)	---	43,722.42(11.3)
Magazines	1,484,347.60	234,177.66(16.)	123,192.83(8.)	1,126,977.11(75.9)
Network Radio	337,864.80			337,864.80(100)
Spot Radio	1,112,405.15	673,188.71(60.5)	50,485.85(4.5)	388,730.59(35.)
Network TV	---	---	---	---
Spot TV	1,047,036.26	334,732.81(32.)		712,303.45(68.)
Outdoor	346,362.40	346,362.40(100)		
Direct Mail	1,132,747.04	1,132,747.04(100)		
TOTALS	8,613,776.68	4,955,523.21(57.5)	224,183.20(2.6)	3,434,070.27(39.9)

* 55,983.33 remains unclassified in non media (6.5%).

Exhibit II

1981 ESTIMATED EXPENDITURES

SUBCONTRACT TYPE	TOTAL FY EXPENDITURES	SMALL %	SMALL & DISADVANTAGED %	LARGE %
Non Media	$ 856,754.86	$ 795,378.60(92.9%)	$ 5,393.05(.63%)	$ 55,983.33(6.5)
Media				
Newspapers	142,700.00	142,700.00(100)		
Magazines	1,855,600.00	271,600.00(14.6)	132,000.00(7.1)	1,452,000.00(78.25)
Network Radio	966,900.00		136,300.00(14.1)	830,600.00(85.9%)
Spot Radio	1,445,000.00	942,600.00(65.23)	65,200.00(4.5)	437,200.00(30.26)
Network TV	3,300,000.00			3,300,000.00(100)
Spot TV	---	---	---	---
Outdoor	165,000.00	165,000.00(100)		
Direct Mail	1,577,245.00	1,577,245.00(100)		
TOTALS	$10,309,199.86	$3,894,523.60(37.78)	$338,893.05(3.29)	$6,019,800.00(58.39)

6. The designated individual within the employ of the prime contractor builder or offeror who will administer the subcontracting program of this contract is:

Name: Ms. Janice Callan
Title: Minority Subcontracting Administrator
Address: J. Walter Thompson Company
1156 - 15th St., N.W.
Washington, D.C. 20005
Telephone: (202) 861-8551

Her duties are as follows:

The position of Minority Subcontracting Administrator will occupy about 25% of this individual's time with records keeping, correspondence, reporting and otherwise ensuring that the goals of the plan are both understood by all who are in a position to screen and select outside suppliers as well as potential suppliers themselves.

It will be her responsibility to maintain familiarity with source documents which will assist in finding qualified, Disadvantaged Small Businesses, and to be the central resource within the J. Walter Thompson organization for individuals who are in search of such concerns.

Finally, she will report to management with respect to compliance by the various departments in meeting the goals which have been set for percentage expenditures with Disadvantaged and Small Business concerns.

7. J. Walter Thompson has always been actively involved in seeking out small businesses and small disadvantaged business concerns in its search for qualified subcontractors. JWT is a subscriber of "TRY US", the most widely used minority vendor source published today. Pertinent information is extracted and disseminated to JWT buyers who then investigate the possible qualified suppliers. In addition, JWT has just recently subscribed to "A Guide to Obtaining Minority Directories."

At our request for additional source information, the Small Business Administration has also supplied JWT with "8(A) Company Portfolio CCAM35-15A", a document listing small, and small disadvantaged vendors. Unfortunately, this list deals with such services as shoe repairs, engineering and architectural services, fuel, oil, and food services.

JWT's New York agency contacted the New Jersey Minority Purchasing Council and arranged for a representative to meet with buyers. The representative submitted a list of possibilities, but again, most were inapplicable.

Instances such as these are examples of positive action on the part of J. Walter Thompson. Unfortunately, as stated earlier, we have been hard pressed to locate competent services applicable to our work for the Marine Corps.

It is important to keep in mind that JWT will not sacrifice quality/cost relationships for the Marine Corps or any other client to force subcontracting dollars into the hands of any group. Expenditures must be made on the basis of quality work for a fair price. Second, JWT conducts almost all of its business for the USMC in either the metropolitan, New York area or the area including Washington, D.C. and surrounding counties.

These two points are not brought forth as excuses. Rather, they are introduced to indicate that almost every advertising job is placed nearby one of the two supervising offices on the Marine Corps account. This way, materials can be produced under the ready scutiny of our technical personnel, and time-sensitive aspects of the advertising function can be met with the highest quality material possible. Nonetheless, JWT continues the search on all levels.

8. In our efforts to locate subcontracting possibilities, JWT has instigated procedures by which vendors can be classified and records kept on our continuing effort. Several different forms are used internally and by our vendors to that end. Because the buyer is responsible for accomplishing the maximum amount of subcontracting with small and small and disadvantaged businessed in compliance with PL 95-507, records have been maintained to show whether the award went to small, large, or small and disadvantaged business concerns. In this regard, Exhibit III has been designed to assist the buyer in obtaining this information. The letter informs the vendor of JWT's participation in the government's subcontracting program, and asks him to identify himself.

Every subcontractor is required to fill out this form at the time we are entering into agreement for services on behalf of the government. Upon receipt of the form, the information is input into our computer system, and at the end of each quarter a retrieval is requested to reflect:

a) A listing which shows vendor type with the dollar expenditures.

b) A listing of vendor transactions by type of activity.

Using these we can establish the number of small businesses to which we have subcontracted, the number of disadvantaged businesses with which we have done business and the number of disadvantaged small businesses to which government funds have been provided.

Further, we can also determine how this information breaks out by area of activity, using the so-called media codes in the computer. Consequently, Department heads can see at a glance, each quarter, just how purchases have been distributed.

In order to accomplish this, a quarterly report will be issued from the D.C. office, reflecting these figures. Contained in Exhibit IV (A-I) are examples of this report as it covers FY '79 and FY '80.

In addition, forms are distributed internally to each Department asking that the percentages of their estimated budgets earmarked for small and small and disadvantaged businesses be documented (Exhibit V). In this way, JWT is aware of areas that are presently awarding contracts to small and small and disadvantaged concerns, and areas which need help.

Exhibit VI is an example of forms that accompany the dissemination of source information by the liaison. There is follow-up correspondance to insure that the source is investigated.

Exhibit III

J. WALTER THOMPSON COMPANY
420 LEXINGTON AVENUE, NEW YORK, N. Y. 10017
(212) 867-1000

RE: U.S. MARINE CORPS

Gentlemen:

In connection with providing advertising for our client, the U.S. Marine Corps, this company participates in the Government's Small Business, Labor Surplus Area and Small Disadvantaged Business Enterprise Subcontracting Programs, and is required to provide the U.S. Government with certain related statistics in accordance with current Governmental regulations. As a result, it is necessary that our suppliers furnish us with information regarding their status as a Small, Large, or Small Disadvantaged Business, and also indicate whether any of the work will be performed in a labor surplus area.

In the event you are classified as large business in some industrial fields and as small business in others, please define these fields and applicable classification.

We would appreciate your entering the information below and returning this form as quickly as possible.

INFORMATION TO BE ENTERED BY SUPPLIER:

The undersigned hereby represents that the company whose name is listed below is:

SMALL BUSINESS	LARGE BUSINESS	SMALL DISADVANTAGED BUSINESS

IN A LABOR SURPLUS AREA? YES NO

Please return this letter to:

Miss Theresa E. Schillberg

For the definition of small and disadvantaged Enterprise see DAR 7-104 a (Negroes, Spanish-speaking American persons, American-Orientals, American-Indians, American Eskimos, and American Aleuts.)

NAME OF COMPANY ____________________
____
SIGNATURE ____________________
TITLE ____________________

GENERAL DEFINITIONS per DAR

SMALL BUSINESS

- A concern that is independently owned and operated.
- Is not dominant in its field of operations, i.e., does not exercise a controlling or major influence in a kind of business activity in which a number of business concerns are primarily engaged.
- The average annual receipts of the concern and its affiliates for the preceding three fiscal years must not exceed $2 million.
- For motion picture production or motion picture services, average annual receipts for its preceding three fiscal years must not exceed $8 million.
- For computer programming, average annual receipts for its preceding three fiscal years must not exceed $4 million.
- For data processing services, average annual receipts for its preceding three fiscal years must not exceed $4 million.
- The number of employees of the concern and its affiliates must not exceed 500 persons. (Manufacturing companies only)

MINORITY BUSINESS ENTERPRISES

As defined in the DAR, the term "minority business enterprise" means a business, at least 50 percent of which is owned by minority group members or, in case of publicly-owned businesses, at least 51 percent of the stock of which is owned by minority group members. For the purposes of this definition, minority group members are Negroes, Spanish-speaking American persons, American Orientals, American Indians, American Eskimos, and American Aleuts.

LABOR SURPLUS AREA

An area is classified as a labor surplus area by the U.S. Department of Labor if its unemployment rate is at least 1.20 times the national rate. Additionally, the criteria for determining eligible labor surplus areas include both a "floor" and a "ceiling". All areas must have a "floor" of at least 6% to qualify during periods of low unemployment. The "ceiling" concept is utilized during periods of unusually high unemployment. A jobless rate of 10 percent or more would qualify an area as an eligible labor surplus area.

Exhibit IV (A)

DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT OF COMMITMENTS TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE See reverse side for necessary instructions

Form Approved OMB No. [illegible]

REPORT PERIOD (From - To)
Jan. 1979 to Mar. 31, 1979

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. David E. Ward, Contracting Officer, LBC-4
Headquarters, U.S. Marine Corps, Wash.,D.C. 20380

1a. DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW
At the present tim

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)
J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Amounts to nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR		SAME QUARTER LAST YEAR	
	FROM (Day, month, year) 1/1/1979	TO (Day, month, year) 31/3/79	FROM (Day, month, year) 1/1/1978	TO (Day, month, year) 31/3/78
a. SMALL BUSINESS (Net)	$ 768,452.17	31 %	$ 922,344.76	54 %
b. LARGE BUSINESS (Net)	$ 1,689.020.48	69 %	$ 780,805.37	46 %
c. TOTAL (3a + 3b)	$ 2,457,472.65	100%	$ 1,703,150.13	100%
d. MINORITY BUSINESS (Net)	$ 114,439.07	5 %	$ 46,815.64	3 %
e. NUMBER OF AWARDS TO SMALL BUSINESS	247		469	
f. NUMBER OF AWARDS TO MINORITY BUSINESS	5		4	

4. REMARKS (Include a short narrative explanation if no dollar awards were made to small or minority-owned business, if the current ratio of [illegible] to small firms decreased by more than five percentage points below last year's ratio for the same quarter or if the percentage of awards to minority firms decreased in comparison to last year's ratio for the same quarter.)

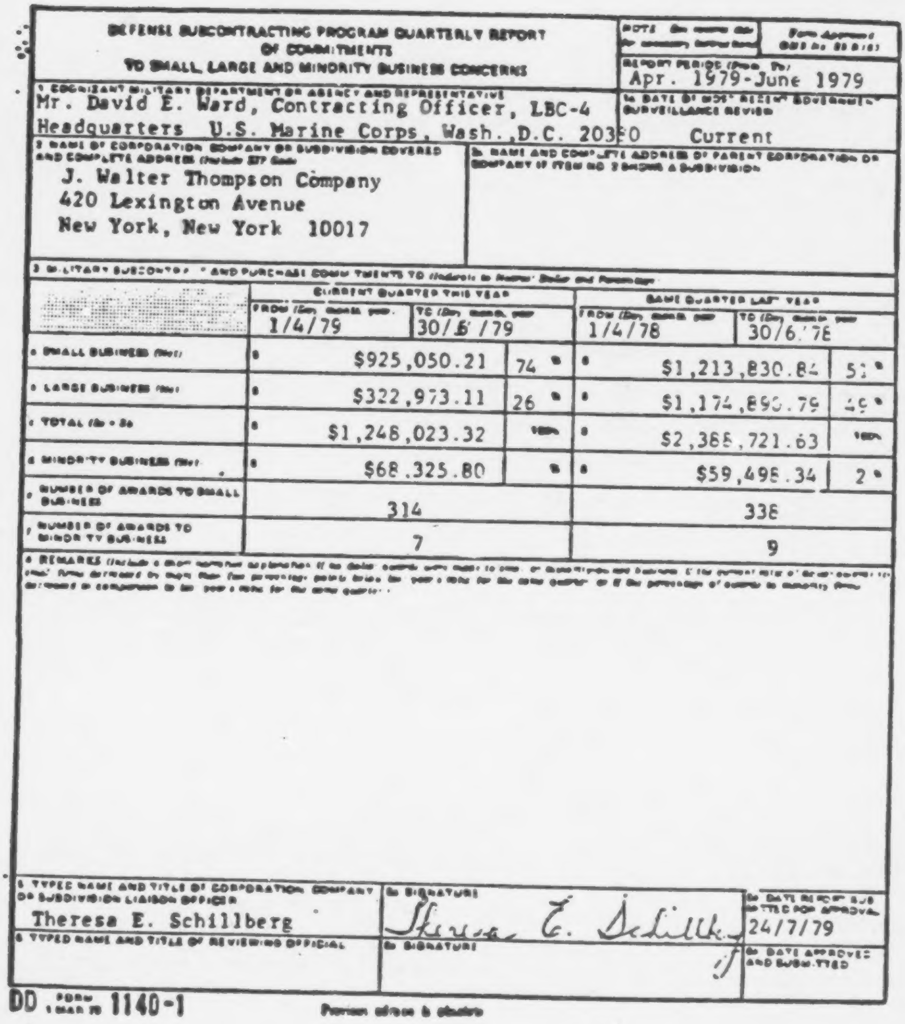
The current ratio of dollar awards to small firms decreased by more than five percentage points below last year's ratio for the same quarter. This is due to the fact that the heaviest expenditures were in network TV, radio, and magazines and, for the most part, these media have identified themselves as "large" businesses.

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER Theresa E. Schillberg	5a. SIGNATURE Theresa E. Schillberg	5b. DATE REPORT SUBMITTED FOR APPROVAL Apr. 23, 1979
6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL [illegible]	6a. SIGNATURE	6b. DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 78 1140-1

EDITION OF 1 FEB 77 IS OBSOLETE.

(B)



DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT
OF COMMITMENTS
TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE [illegible]

Form Approved OMB No. [illegible]

REPORT PERIOD (From - To) Apr. 1979-June 1979

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. David E. Ward, Contracting Officer, LBC-4
Headquarters U.S. Marine Corps, Wash.,D.C. 20380

1a. DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW Current

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)

J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate in Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR			SAME QUARTER LAST YEAR		
	FROM (Day, month, year) 1/4/79	TO (Day, month, year) 30/6/79		FROM (Day, month, year) 1/4/78	TO (Day, month, year) 30/6/78	
a. SMALL BUSINESS (Net)	$	$925,050.21	74 %	$	$1,213,830.84	51 %
b. LARGE BUSINESS (Net)	$	$322,973.11	26 %	$	$1,174,890.79	49 %
c. TOTAL (3a + 3b)	$	$1,248,023.32	100%	$	$2,388,721.63	100%
d. MINORITY BUSINESS (Net)	$	$68,325.80	%	$	$59,498.34	2 %
e. NUMBER OF AWARDS TO SMALL BUSINESS	314			338		
f. NUMBER OF AWARDS TO MINORITY BUSINESS	7			9		

4. REMARKS (Include a short narrative explanation if [illegible])

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER
Theresa E. Schillberg

5a. SIGNATURE
Theresa E. Schillberg

5b. DATE REPORT SUBMITTED FOR APPROVAL
24/7/79

6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL

6a. SIGNATURE

6b. DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 70 1140-1 Previous edition is obsolete

(C)

DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT OF COMMITMENTS TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

Form Approved

REPORT PERIOD (From - To)
July 1979 to Sept. 1979

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. David E. Ward, Contracting Officer, LBC-4
Headquarters, U.S. Marine Corps, Wash.,D.C.20380

1a. DATE OF MOST RECENT SUBCONTRACT SURVEILLANCE REVIEW
August 1979

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)

J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM 2 IS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate in Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR		SAME QUARTER LAST YEAR	
	FROM (Day, month, year)	TO (Day, month, year)	FROM (Day, month, year) 1 July 1978	TO (Day, month, year) 30 Sept. '78
a. SMALL BUSINESS	$ $1,511,029.46	60 %	$ $ 876,321.89	48 %
b. LARGE BUSINESS	$ 1,002,877.20	40 %	$ 954,460.20	52 %
c. TOTAL (a + b)	$ $2,513,906.66	100%	$ $1,830,782.09	100%
d. MINORITY BUSINESS	$ 41,764.26	2 %	$ 76,191.06	4 %
e. NUMBER OF AWARDS TO SMALL BUSINESS	198		196	
f. NUMBER OF AWARDS TO MINORITY BUSINESS	9		8	

4. REMARKS [illegible]

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER Theresa E. Schillberg	5a. SIGNATURE Theresa E. Schillberg	5b. DATE REPORT SUBMITTED FOR APPROVAL 10/23/79
6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL	6a. SIGNATURE	6b. DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 70 1140-1 Previous edition is obsolete

(D)

DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT
OF COMMITMENTS
TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE [illegible]

Form Approved
OMB No. [illegible]

REPORT PERIOD (From To)
Oct. 1979 to Dec. 1979

1 COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. David E. Ward, Contracting Officer, LBC-4
Headquarters, U.S. Marine Corps, Wash., D.C. 20380

1a DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW
August 1979

2 NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)

J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWN A SUBDIVISION

3 MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate to Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR			SAME QUARTER LAST YEAR		
	FROM (Day, month, year) 1 Oct. 1979	TO (Day, month, year) 31 Dec. 1979		FROM (Day, month, year) 1 Oct. 1978	TO (Day, month, year) 31 Dec. 1978	
a SMALL BUSINESS (Net)	$ 1,236,811.73		64%	$ 471,251.72		50%
b LARGE BUSINESS (Net)	$ 686,071.19		36%	$ 474,249.77		50%
c TOTAL (3a + 3b)	$ 1,922,882.92		100%	$ 945,501.49		100%
d MINORITY BUSINESS (Net)	$ 41,333.63		2%	$ 69,439.11		7%
e NUMBER OF AWARDS TO SMALL BUSINESS	1,326			142		
f NUMBER OF AWARDS TO MINORITY BUSINESS	17			3		

4 REMARKS [illegible]

Scheduling in media was somewhat lighter in all areas in this quarter and, therefore, minority scheduling was also affected.

5 TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER
Theresa E. Schillberg

5a SIGNATURE
Theresa E. Schillberg

5b DATE REPORT SUBMITTED FOR APPROVAL
21 Jan. 1980

6 TYPED NAME AND TITLE OF REVIEWING OFFICIAL

6a SIGNATURE

6b DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 70 1140-1

Previous edition is obsolete

(E)

DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT
OF COMMITMENTS
TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE: See reverse side for necessary instructions

Form Approved
OMB No. [illegible]

REPORT PERIOD (From - To)
Jan. 1980 - Mar. 1980

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. David E. Ward, Contracting Officer, LBC-4
Headquarters, U.S. Marine Corps, Wash., DC 20380

1a. DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW
August 1979

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)

J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate to Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR		SAME QUARTER LAST YEAR	
	FROM (Day, month, year) 1/1/80	TO (Day, month, year) 31/1/80	FROM (Day, month, year) 1/1/79	TO (Day, month, year) 31/3/79
a. SMALL BUSINESS (Net)	$ 614,776.27	45 %	$ 768,452.17	31 %
b. LARGE BUSINESS (Net)	$ 755,772.82	55 %	$ 1,689,020.48	69 %
c. TOTAL (3a + 3b)	$ 1,370,549.09	100%	$ 2,457,472.65	100%
d. MINORITY BUSINESS (Net)	$ 30,430.64	2 %	$ 114,439.07	5 %
e. NUMBER OF AWARDS TO SMALL BUSINESS	384		247	
f. NUMBER OF AWARDS TO MINORITY BUSINESS	2		5	

4. REMARKS (Include a short narrative explanation if no dollar awards were made to small or minority-owned business, if the current ratio of dollar awards to small firms decreased by more than 2 percentage points below last year's ratio for the same quarter, or if the percentage of awards to minority firms decreased in comparison to last year's ratio for the same quarter.)

During this quarter, there were heavy expenditures in the typography, engravings, list buys areas ... areas in which there are no minority vendors from which to select.

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER
Theresa E. Schillberg

5a. SIGNATURE
Theresa E. Schillberg

5b. DATE REPORT SUBMITTED FOR APPROVAL
4/23/80

6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL

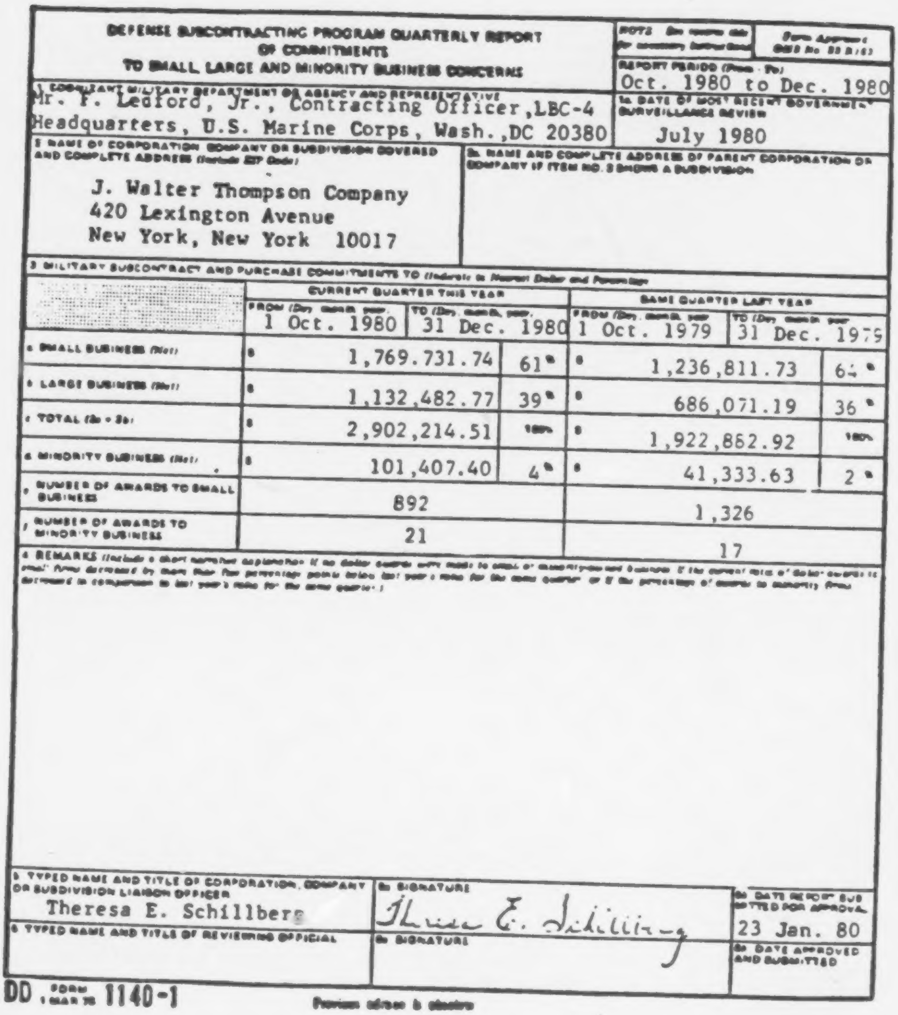
6a. SIGNATURE

6b. DATE APPROVED AND SUBMITTED

DD FORM 1140-1

Previous edition is obsolete

(F)



DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT OF COMMITMENTS TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE [illegible]

Form Approved

1a. REPORT PERIOD (From - To)
Oct. 1980 to Dec. 1980

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. F. Ledford, Jr., Contracting Officer, LBC-4
Headquarters, U.S. Marine Corps, Wash., DC 20380

1b. DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW
July 1980

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)

J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate to Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR			SAME QUARTER LAST YEAR		
	FROM (Day, month, year) 1 Oct. 1980	TO (Day, month, year) 31 Dec. 1980		FROM (Day, month, year) 1 Oct. 1979	TO (Day, month, year) 31 Dec. 1979	
a. SMALL BUSINESS (Net)	$	1,769.731.74	61%	$	1,236,811.73	64%
b. LARGE BUSINESS (Net)	$	1,132,482.77	39%	$	686,071.19	36%
c. TOTAL (3a + 3b)	$	2,902,214.51	100%	$	1,922,862.92	100%
d. MINORITY BUSINESS (Net)	$	101,407.40	4%	$	41,333.63	2%
e. NUMBER OF AWARDS TO SMALL BUSINESS	892			1,326		
f. NUMBER OF AWARDS TO MINORITY BUSINESS	21			17		

4. REMARKS [illegible]

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER
Theresa E. Schillberg

5a. SIGNATURE

5b. DATE REPORT SUBMITTED FOR APPROVAL
23 Jan. 80

6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL

6a. SIGNATURE

6b. DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 78 1140-1

Previous edition is obsolete

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DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT OF COMMITMENTS TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE: See reverse side for necessary instructions

Form Approved [illegible]

REPORT PERIOD (From - To): July 1980 to Sept. 1980

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. F. Ledford, Jr., Contracting Officer, LBC-4
Headquarters, U.S.Marine Corps, Wash.,DC 20380

1a. DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW
July 1980

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)
J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate to Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR			SAME QUARTER LAST YEAR		
	FROM (Day, month, year) 1 July 1980	TO (Day, month, year) 30 Sept. 1980		FROM (Day, month, year) 1 July 1979	TO (Day, month, year) 30 Sept. 1979	
a. SMALL BUSINESS (Net)	$ $1,236,309.80		55 %	$ $1,511,029.46		60 %
b. LARGE BUSINESS (Net)	$ 1,016,378.08		45 %	$ 1,002,877.20		40 %
c. TOTAL (3a + 3b)	$ 2,252,687.88		100%	$ $2,513,906.66		100%
d. MINORITY BUSINESS (Net)	$ 62,581.62		3 %	$ 41,764.26		2 %
e. NUMBER OF AWARDS TO SMALL BUSINESS	574			198		
f. NUMBER OF AWARDS TO MINORITY BUSINESS	14			9		

4. REMARKS (Include a short narrative explanation if no dollar awards were made to small or minority-owned business, if the current ratio of dollar awards to small firms decreased by more than five percentage points below last year's ratio for the same quarter, or if the percentage of awards to minority firms decreased in comparison to last year's ratio for the same quarter.)

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER Theresa E. Schillberg	5a. SIGNATURE Theresa E. Schillberg	5b. DATE REPORT SUBMITTED FOR APPROVAL 10-24-80
6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL	6a. SIGNATURE	6b. DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 78 1140-1 Previous edition is obsolete

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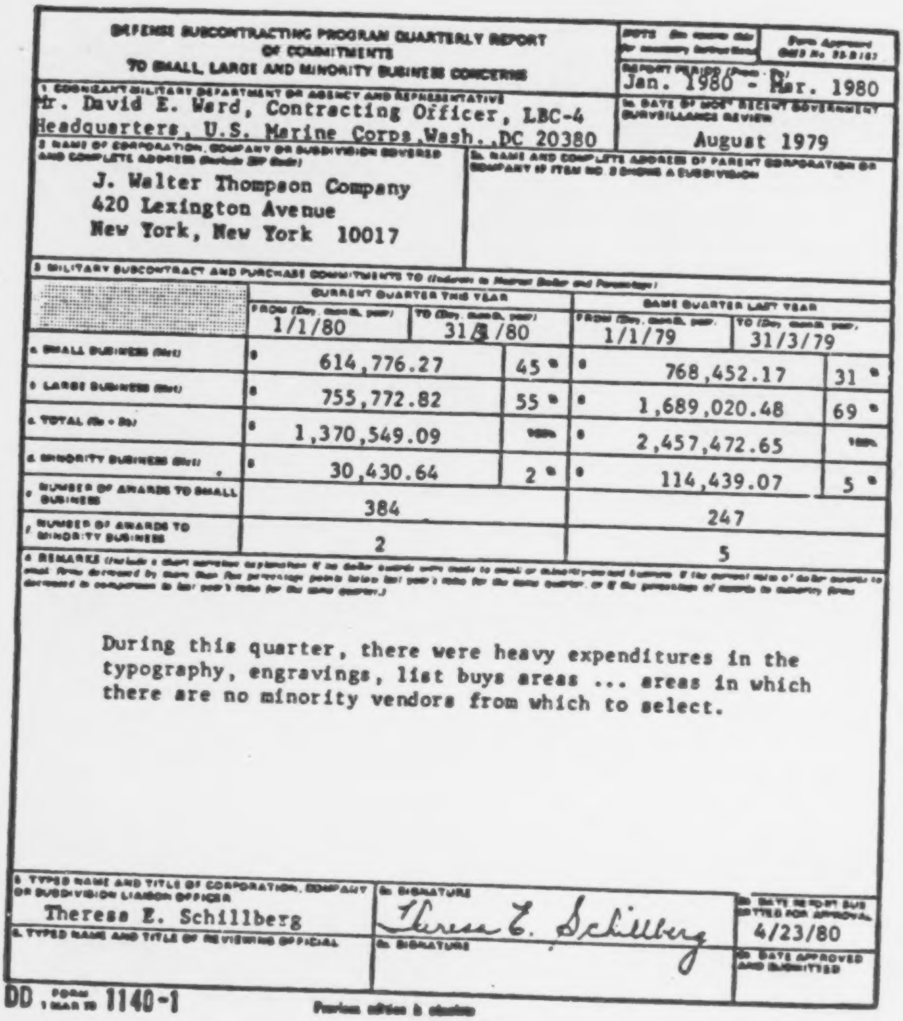

DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT
OF COMMITMENTS
TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

[illegible]

Form Approved OMB No. 22-R163

REPORT PERIOD (From - To): Jan. 1980 - Mar. 1980

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. David E. Ward, Contracting Officer, LBC-4
Headquarters, U.S. Marine Corps, Wash., DC 20380

1a. DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW
August 1979

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)
J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate to Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR		SAME QUARTER LAST YEAR	
	FROM (Day, month, year) 1/1/80	TO (Day, month, year) 31/3/80	FROM (Day, month, year) 1/1/79	TO (Day, month, year) 31/3/79
a. SMALL BUSINESS (Net)	$ 614,776.27	45 %	$ 768,452.17	31 %
b. LARGE BUSINESS (Net)	$ 755,772.82	55 %	$ 1,689,020.48	69 %
c. TOTAL (3a + 3b)	$ 1,370,549.09	100%	$ 2,457,472.65	100%
d. MINORITY BUSINESS (Net)	$ 30,430.64	2 %	$ 114,439.07	5 %
e. NUMBER OF AWARDS TO SMALL BUSINESS	384		247	
f. NUMBER OF AWARDS TO MINORITY BUSINESS	2		5	

4. REMARKS (Include a short narrative explanation if no dollar awards were made to small or minority-owned business, if the current ratio of dollar awards to small firms decreased by more than five percentage points below last year's ratio for the same quarter, or if the percentage of awards to minority firms decreased in comparison to last year's ratio for the same quarter.)

During this quarter, there were heavy expenditures in the typography, engravings, list buys areas ... areas in which there are no minority vendors from which to select.

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER
Theresa E. Schillberg

5a. SIGNATURE
Theresa E. Schillberg

5b. DATE REPORT SUBMITTED FOR APPROVAL
4/23/80

6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL

6a. SIGNATURE

6b. DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 79 1140-1 Previous edition is obsolete

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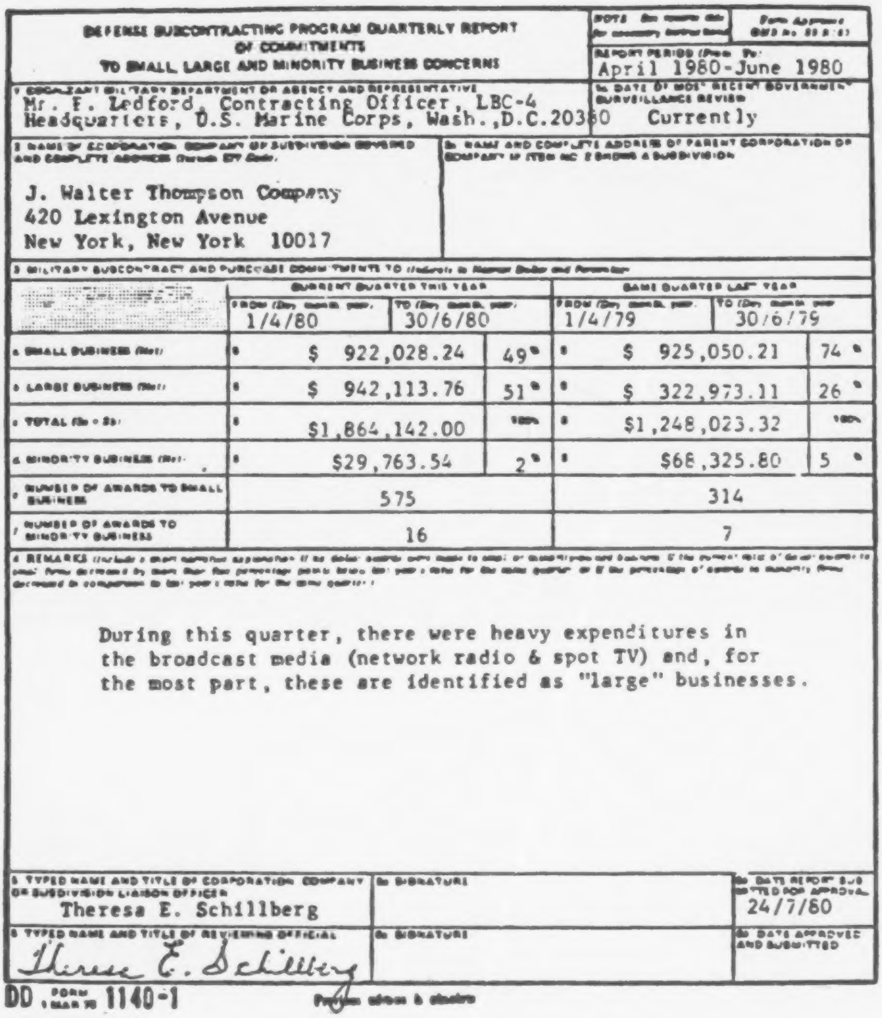


DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT
OF COMMITMENTS
TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE [illegible]

Form Approved OMB No. [illegible]

REPORT PERIOD (From - To): April 1980-June 1980

1 COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. F. Ledford, Contracting Officer, LBC-4
Headquarters, U.S. Marine Corps, Wash.,D.C.20380

1a DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW: Currently

2 NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)

J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3 MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate in Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR		SAME QUARTER LAST YEAR	
	FROM (Day, month, year) 1/4/80	TO (Day, month, year) 30/6/80	FROM (Day, month, year) 1/4/79	TO (Day, month, year) 30/6/79
a SMALL BUSINESS (Net)	$ 922,028.24	49 %	$ 925,050.21	74 %
b LARGE BUSINESS (Net)	$ 942,113.76	51 %	$ 322,973.11	26 %
c TOTAL (3a + 3b)	$1,864,142.00	100%	$1,248,023.32	100%
d MINORITY BUSINESS (Net)	$29,763.54	2 %	$68,325.80	5 %
e NUMBER OF AWARDS TO SMALL BUSINESS	575		314	
f NUMBER OF AWARDS TO MINORITY BUSINESS	16		7	

4 REMARKS (Include a short narrative explanation [illegible])

During this quarter, there were heavy expenditures in the broadcast media (network radio & spot TV) and, for the most part, these are identified as "large" businesses.

5 TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER: Theresa E. Schillberg

5a SIGNATURE

5b DATE REPORT SUBMITTED FOR APPROVAL: 24/7/80

6 TYPED NAME AND TITLE OF REVIEWING OFFICIAL: Therese E. Schillberg

6a SIGNATURE

6b DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 70 1140-1 Previous edition is obsolete

EXHIBIT V

SUBCONTRACTING QUESTIONNAIRE

Public Law 95-507

DEPARTMENT: ______________________

DEPARTMENT HEAD: ______________________

COMPLETED BY: ______________________

DATE: ______________________

Based upon estimates from 1978 and 1979, it is estimated that $ ______________ will be spent by your department in net expenditures to suppliers to the Marine Corps. Please provide your estimates of the breakdown in these with respect to Small and Disadvantaged businesses between now and the end of September.

Media Type	Total Dollars (%)	Small Business (%)	Small and disadvantaged (%)
________	________	________	________
________	________	________	________
________	________	________	________
________	________	________	________

REMARKS:

EXHIBIT VI

PUBLIC LAW 95-507

SMALL AND DISADVANTAGED SMALL BUSINESS SUBCONTRACTING ADVICE

DEPARTMENT: ____________________

DEPARTMENT HEAD: ____________________

DATE: ____________________

DUE DATE: ____________________

( ) Satisfactory

( ) Unsatisfactory
(fill in remarks)

Below please find the name of a Small/Disadvantaged-small business concern which is forwarded for your evaluation as a possible supplier on the United States Marine Corps Account. Would you please attempt to contact this firm or individual and ascertain whether Marine Corps standards can be met. Your response by the above-indicated date will be appreciated.

BUSINESS TYPE

Firm Name ____________________

Individual ____________________

Street ____________________

City ____________________

State/Zip ____________________

- -

REMARKS:

HEADQUARTERS MARINE CORPS ROUTING SHEET (5211)
NAVMC HQ 335 (REV. 9-80)

1. DATE
3 Feb 1981

2. OPERATION CODE

X – ORIGINATOR OR OFFICE AFFIXING ROUTING SHEET
A – APPROPRIATE ACTION
B – GUIDANCE
C – SIGNATURE
D – COMMENT
E – RECOMMENDATION
F – CONCURRENCE
G – INFORMATION
H – RETURN TO LBC-4
I – INITIAL
J – DISPOSITION
K – DECISION
L – RETENTION
O – (OTHER) ______

3. SUBJECT

Subcontracting Plan from J. Walter Thompson Co. for BOA M00027-79-G-0070

ROUTING - Use numbers to show order of routing

4. RTG.	5. OPR. CODE	6. ADDRESSEES		7. DATE IN	7. DATE OUT	8. INITIALS CONCUR	8. INITIALS NON-CONCUR
▨		COMMANDANT	CMC				
▨		MILITARY SECY TO CMC					
▨		ASST'N COMMANDANT & C/S	ACMC				
		SECY GEN STAFF					
		DIR SPL PROJ	SPD				
		DC/S AVN	A				
		DC/S MPR	M				
		DC/S PP&O	P				
		DC/S I&L	L				
		DC/S RD&S	RD				
		DC/S RESAFF	RES				
		DC/S R&P	RP				
		FDMC	FD				
		IGMC	IG				
		MED OFF	MED				
		DIR C4 SYS DIV	CC				
		DIR INTEL	INT				
		DIR JAD	JA				
		DIR PA	PA				
		DIR TRNG	TR				
		LEGIS ASSTN	OLA				
		COUNSEL FOR CMC	CL				
		DIR MCHMM	HD				
		DIR HOSPT	HOS				
		DENT OFF	DEN				
		CHAPLAIN	REL				
		INSTALLATIONS AND LOGISTICS DEPARTMENT					
		DC/S (I&L)	L				
		ADC/S (I&L)	L				
		ExecAsst	L				
		AdminOff	LA				
		Small Bus. Spec.	LS		7/1		
		JtMat/StratMobBr	LPJ				
		SysBr	LPS				
		Prgms&FinMgmtBr	LPF				
		Plns&PolBr	LPP				
		Material Division	LM				
		Fac&SvcsDiv	LF				
		ContractsDiv	LB				
	X	LBC-4			2/4		

9. NATURE OF ACTION REQUIRED	ORIGINATOR'S INITIALS	DUE DATE (If any)
ROUTINE		
URGENT		

10. REFERENCES HELD BY (Name, Grade, Office Code, Telephone Extension)
B. Cawthorn, LBC-4, 42273

11. REMARKS AND SIGNATURE (If additional space is necessary, attach plain paper)

Subject plan forwarded for review.

Jack A. Sherman
JACK A. SHERMAN

Encl: (3)

M00027-79-G-0070

J.Walter Thompson U.S.A.

J. Walter Thompson
U.S.A., Inc.

1156 Fifteenth Street, NW
Washington, DC 20005

202 861 8500

1982

March 23, 1982

Ms. Shiela D'Agostino
Headquarters, U.S. Marine Corps
Contracting Branch
Code LPC-4
Washington, DC 20380

Dear Shiela:

Attached please find J. Walter Thompson's Subcontracting Plan for fiscal year 1982 for your review and approval.

Please feel free to call with any questions or comments.

Sincerely,

Janice Callan

Janice Callan
Account Coordinator

cc: John Wood
Peter Gridley

SUBCONTRACTING PLAN
SUBMITTED IN ACCORDANCE WITH
PUBLIC LAW 95-507

1. Contract Number: M00027-790C0070

2. Contractor Name: J. Walter Thompson Company
Division: JWT-USA

3. Name of individual completing this Plan: John R. Wood
Telephone Number: (202)861-8580

4.

	Total Estimated Cost of Prime Contract	Total Estimated Cost of Subcontract
Dollars	$9,030,000	$6,853,521
Percentage Goals		
Small Business	39 %	52 %
Small Disadvantaged Business	1.8 %	2 %

5. Comment on goals, subcontracting possibilities, and past performance of the concerns, subcontracting with Small Business and Small Disadvantaged Business as they pertain to this procurement: (Attachments may be used)

(Please see Tab A)

6. The designated individual within the employ of the prime contractor builder or offeror who will administer the subcontracting program of this contract is:

Name: Ms. Janice Callan
Title: Subcontracting Administrator
Address: J. Walter Thompson Company
City, State, Zip: 1156 - 15th Street, NW Washington, DC 20005
Telephone No: (202)861-8581

Her duties are as follows: (Please see Tab B)

2

7. Describe the efforts that will be taken to assure Small Business and Small Business concerns owned and controlled by the socially and economically disadvantaged will have an equitable opportunity to compete for subcontracts as they pertain to this procurement:

(Please see Tab C)

8. Provide a recitation of the types of records your concern will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of Small Business concerns and Small Business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such Small Business concerns as they pertain to this procurement: (Attachments may be used)

(Please see Tab D)

9. I, the undersigned, a designated officer of J. Walter Thompson Company
Company Name
do herewith assure that this concern will include the clause required by this contract in all subcontracts which offer further subcontracting opportunities, and that as the prime contractor we will require all subcontractors (except Small Business concerns) who receive subcontracts in excess of $1,000,000 in the case of a contract for construction of any public facility, or in excess of $500,000 in the case of all other contracts, to adopt a plan similar to this plan. I further assure that as the prime contractor we will submit such periodic reports and cooperate in any studies or surveys as may be required by the Contracting Federal Agency of the Small Business Administration in order to determine the extent of compliance to this plan.

Signature

Vice President
Title

5. In addressing the question of what goals J. Walter Thompson Company will set regarding subcontracting possiblilties, it is important to look at both Corporate Policy and past history.

A) Corporate Policy Re Disadvantage Individuals & Concerns

The J. Walter Thompson Company has long maintained a policy of seeking out qualified owned-and-operated small disadvantaged concerns to supply goods and sevices for all its clients, including the United States Marine Corps. To focus more clearly on the ways in which this policy can be implemented, is necessary to look at the services provided by JWT and its subcontractors.

As the only government supplier of Marine Corps Recruitment and Retention advertising services, work to be performed by the Basic Ordering Agreement can be characterized as follows:

B) Work Provided by Prime Contractor (JWT)

J. Walter Thompson supplies technical advice, marketing consultation, communications planning, supervision and evaluation. JWT also develops media plans, executes media purchases (subcontracts) and provides evaluations of media delivery. In short, the primary contractor's goals are to ensure that the right people are reached with the right message(s) for the least possible cost to the government.

C) Work Provided by Subcontractors

The selection of media to be used by J. Walter Thompson in order to produce effective advertising for the government is dependant upon the medium's ability to deliver the appropriate type of message. Another factor in this selection process is the search for those media which can accomplish these objectives at the least cost to the government. Here, camparisons are usually based upon the cost to reach 1,000 target persons.

As prospects for subcontracting media dollars are sought out, and attempts made to set goals, we are constrained now, as in the past, by the number of companies which meet the selection criteria outlined in PL 95-507. This fact is particularly disturbing when one considers the proportion of subcontracting dollars which are devoted to media placement (80% in 1981). The matter is further compounded by the fact that the best media strategy for the Marine Corps calls for the placement of a large portion of funds in national magazines that have demonstrated their ability to provide the greatest return for dollars expended. Unfortunately, there are no truly disadvantaged, small businesses which publish the national magazines that reach the target audience using the appropriate format. Our task is further complicated by the fact that our budget for fiscal year 1982 has been cut by approximately 3 million dollars.

In order to put the matter into prospective, Exhibit I breaks out expenditures in 1981. It reflects the dollar amounts subcontracted to small, small disadvantaged, and large concerns, as well as the amount spent with vendors of unknown status.

By way of comparison, and to help us set goals for this year, Exhibit II forecasts expenditures for 1982.

6. The designated individual within the employ of the prime contractor builder or offeror who will administer the subcontracting program of this contract:

Name: Ms. Janice Callan

Title: Subcontracting Administrator

Address: J. Walter Thompson Company
1156 - 15th Street, NW
Washington, DC 20005

Telephone: (202)861-8581

Her duties are as follows:

The position of Subcontract Administrator will occupy about 25% of this individual's time with records keeping, correspondence, reporting and otherwise ensuring that the goals of the plan are understood by all who are in a position to screen and select outside suppliers as well as potential suppliers themselves.

It will be her responsibility to maintain familiarity with source documents which will assist in finding qualified, disadvantaged small businesses, and to be the central resource within J. Walter Thompson Company for individuals who are in search of such concerns.

Finally, she will report to management with respect to compliance by the various departments in meeting the goals which have been set for percentage expenditures with disadvantaged and small business concerns.

7. J. Walter Thompson has always been actively involved in seeking out small businesses and small disadvantaged business concerns in its search for qualified subcontractors. JWT is a subscriber of "TRY US", the most widely used monority vendor source published today. Pertinent information is extracted and disseminated to JWT buyers who then invenstigate the possible qualified suppliers. In addition, JWT is a subscriber of "A Guide to Obtaining Minority Directories."

While JWT has asked for and received additional source information, such as the Small Business Administration's "8(A) Company Portfolio CCAM35-15A", most of this information is not applicable to our needs. for instance, the aforementioned document lists services such as shoe repairs and food services.

J. Walter Thompson is commited to taking positive action in seeking out qualified disadvantaged vendors, but it is important to keep in mind that JWT will not sacrafice quality/cost relationships for the Marine Corps or any other client to force subcontracting dollars into the hands of any group. Expenditures must be made on the basis of quality work for a fair price. Also, JWT conducts almost all of its business for the Marine Corps in either the metropolitan, New York area or the area including Washington, DC and surrounding counties. These points are not brought forth as excuses, but are introduced to indicate that almost every advertising job is placed nearby one of the two supervising offices on the Marine Corps account. This way, materials can be produced under the ready scrutiny of our technical personnel, and time-sensitive aspects of the advertising function can be met with the highest quality material possible. Nontheless, JWT continues the search on all levels.

9

8. In our efforts to locate subcontracting possibilities, JWT has instituted procedures by which vendors can be classified and records kept on our continuing effort. Several different forms are used internally and by our vendors to that end. Because the buyer is responsible for accomplishing the maximum amount of subcontracting with small and small disadvantaged businesses in compliance with PL 95-507, records have been maintained to show whether the award went to small, large, or small disadvantaged concerns. In this regard, Exhibit III has been designed to assist the buyer in obtaining this information. The letter informs the vendor of JWT's participation in the government's subcontracting program, and asks him to identify himself.

Every subcontractor is required to fill out this form at the time we are entering into agreement for services on behalf of the government. Upon receipt of this form by the subcontracting administrator, the information is input into our computer system, and at the end of each quarter a retrieval is requested to reflect:

a) A listing which shows vendor type with dollar expenditures.

b) A listing of vendor transactions by type of activity.

Using these we can establish the number of small businesses to which we have subcontracted, the number of disadvantaged businesses with which we have done business and the number of large businesses to which government funds have been provided.

Further, we can also determine how this information breaks out by area of activity, using the so-called media codes in the computer. Consequently, department heads can see at a glance, each quarter, just how purchases have been distributed.

In order to accomplish this, a quarterly report will be issued from the Washington, DC office reflecting these figures. Contained in Exhibit IV (A-E) are examples of this report as it covers FY '81

In addition, each department is asked to forecast the percentages of their estimated budgets earmarked for small and disdavantaged businesses. These estimations are documented so that JWT is aware of areas that are presently awarding contracts to small and disadvantaged concerns, and areas which need help.

As central resource, the Subcontract Administrator attempts to bring together department heads and qualified small businesses. She arranges and attends these meetings, and receives written evaluations from the department heads on each concern. She also sees to it that there is follow up correspondance to ensure that qualified sources are thoroughly investigated for possible future use.

EXHIBIT I

FY '81
ACTUAL
EXPENDITURES

SUBCONTRACT TYPE	TOTAL EXPENDITURES	SMALL	%	SMALL DISADVANTAGED	%	LARGE	%
Non Media	$1,908,895	$1,145,075	(60)	$ 29,269	(1.53)	$ 734,551	(38)
Media							
Newspapers	210,280	135,325	(64)	—		74,955	(36)
Magazines	1,080,714	309,504	(29)	48,057	(4)	723,153	(67)
Network Radio	255,124	—		59,679	(23)	195,445	(77)
Spot Radio	1,766,680	950,348	(54)	90,223	(5)	726,109	(41)
Network TV	1,020,000	—		—		1,020,000	(100)
Spot TV	[illegible]98,259	323,862	(24.95)	3,281	(.25)	971,116	(74.8)
Outdoor	1,022,548	1,022,548	(100)	—		—	
Direct Mail	1,084,985	766,013	(71)	—		318,972	(29)
TOTALS	$9,647,485	$4652,675	(48.23)	$230,509	(2.39)	4,764,301	(49.38)

Exhibit II

FY '82
ESTIMATED
EXPENDITURES

SUBCONTRACT TYPE	TOTAL FY '82 EXPENDITURES	SMALL	%	SMALL DISADVANTAGED	%	LARGE	%
Non Media	$1,899,540	$1,481,688	(78)	$ 37,932	(2)	$ 379,920	(20)
Media							
Newspapers	7,262	7,262	(100)	—			
Magazines	1,552,302	201,799	(13)	101,661	(7)	1,241,842	(80)
Network Radio	—	—		—		—	
Spot Radio	304,417	197,871	(65)	15,221	(5)	91,325	(30)
Network TV	—	—		—		—	
Spot TV	1,700,000*	544,000	(32)	—		1,156,000	(68)
Outdoor	—	—		—		—	
Direct Mail	1,390,000	1,112,000	(80)	—		278,000	(20)
TOTALS	$6,853,521	$3,544,620	(52)	$161,814	(2)	$3,147,087	(46)

*The bulk of this may be diverted to officer procurement.

EXHIBIT III

J. WALTER THOMPSON COMPANY
1156 FIFTEENTH STREET, N.W., WASHINGTON, D.C. 20005
(202) 861-8500

RE: U.S. MARINE CORPS

Gentlemen:

In connection with providing advertising for our client, the U. S. Marine Corps, this company participates in the Government's Small Business, Labor Surplus Area and Small Disadvantaged Business Concerns Subcontracting Programs, and is required to provide the U.S. Government with certain related statistics in accordance with current Governmental regulations. As a result, it is necessary that our suppliers furnish us with information regarding their status as a Small, Large, or Small Disadvantaged Business Concern, and also indicate whether any of the work will be performed in a labor surplus area.

We would appreciate your entering the information below and returning this form as quickly as possible.

INFORMATION TO BE ENTERED BY SUPPLIER:

The undersigned hereby represents that the company whose name is listed below is:

☐ SMALL BUSINESS ☐ LARGE BUSINESS ☐ SMALL DISADVANTAGED BUSINESS CONCERN

IN A LABOR SURPLUS AREA? ☐ YES ☐ NO

Please return this letter to: Ms. Janice Callan (at the above address)

For the definition of a Small Disadvantaged Business Concern, see DAR 7-104.14(a) (Black Americans, Hispanic Americans, Native Americans (such as American Indians, Eskimos, Aleuts and Native Hawaiians), and other minorities, or any other individuals found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small Business Act).

NAME OF COMPANY ______________________

____

SIGNATURE ______________________

TITLE ______________________

GENERAL DEFINITIONS per DAR (Defense Acquisition Regulation)

SMALL BUSINESS

- A concern that is independently owned and operated.
- Is not dominant in its field of operations, i.e., does not exercise a controlling or major influence in a kind of business activity in which a number of business concerns are primarily engaged.
- The average annual receipts of the concern and its affiliates for the preceding three fiscal years must not exceed $2 million.
- For motion picture production or motion picture services, average annual receipts for it preceding three fiscal years must not exceed $8 million.
- For computer programming, average annual receipts for its preceding three fiscal years must not exceed $4 million.
- For data processing services, average annual receipts for its preceding three fiscal years must not exceed $4 million.
- The number of employees of the concern and its affiliates must not exceed 500 persons. (Manufacturing companies only)

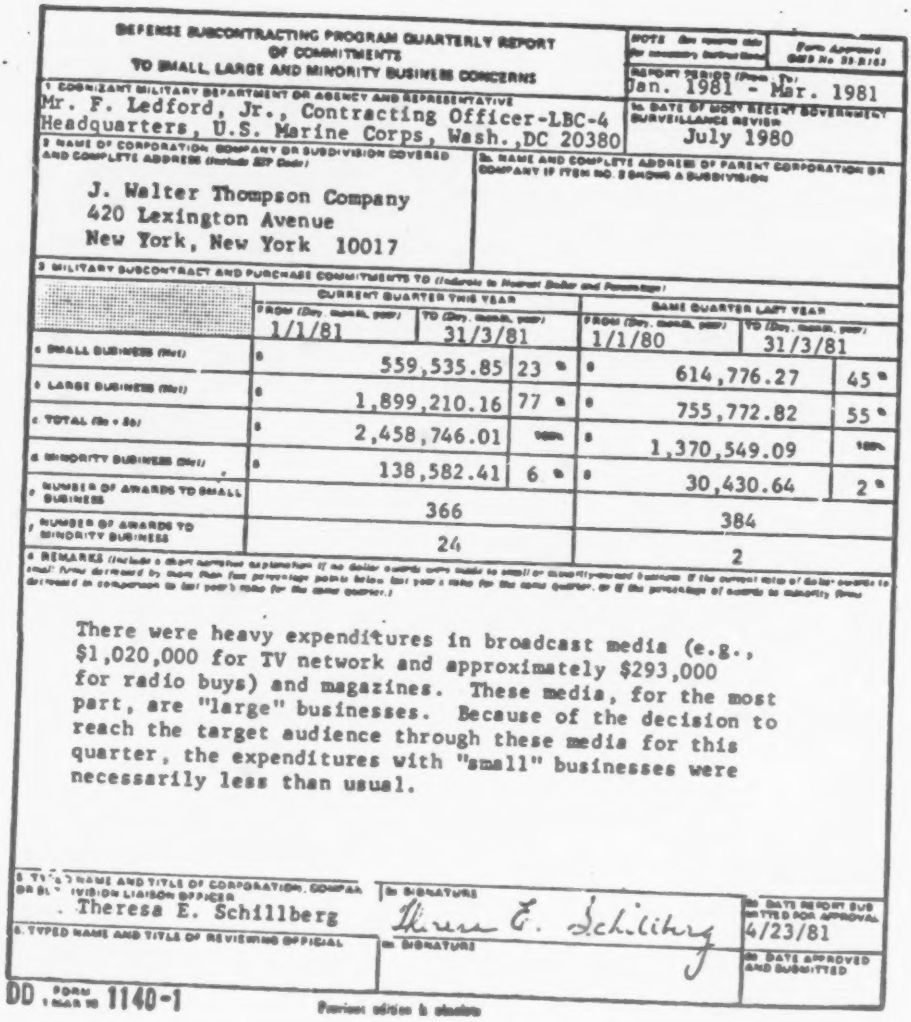
SMALL DISADVANTAGED BUSINESS CONCERNS

As defined in the DAR, the term "small disadvantaged business concern" means a small business concern which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals (Black American, Hispanic Americans, Native Americans - such as American Indians, Eskimos, Aleuts and Native Hawaiians - and other minorities, or any other individuals found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small Business Act); or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; or whose management and daily business operations are controlled by one or more of such individuals.

LABOR SURPLUS AREA

According to DAR 1-801.2, the term "labor surplus area" means a geographic area which at the time of award is classified as such by the Department of Labor and listed as such by that Department in its publication "Listing of Eligible Labor Surplus Areas Under DMP No. 4A and Executive Order 10582."

EXHIBIT IV (A)



DEFENSE SUBCONTRACTING PROGRAM QUARTERLY REPORT OF COMMITMENTS TO SMALL, LARGE AND MINORITY BUSINESS CONCERNS

NOTE See reverse side for necessary instructions

Form Approved OMB No. [illegible]

REPORT PERIOD (From - To) Jan. 1981 - Mar. 1981

1. COGNIZANT MILITARY DEPARTMENT OR AGENCY AND REPRESENTATIVE
Mr. F. Ledford, Jr., Contracting Officer-LBC-4
Headquarters, U.S. Marine Corps, Wash.,DC 20380

1a. DATE OF MOST RECENT GOVERNMENT SURVEILLANCE REVIEW July 1980

2. NAME OF CORPORATION, COMPANY OR SUBDIVISION COVERED AND COMPLETE ADDRESS (Include ZIP Code)

J. Walter Thompson Company
420 Lexington Avenue
New York, New York 10017

2a. NAME AND COMPLETE ADDRESS OF PARENT CORPORATION OR COMPANY IF ITEM NO. 2 SHOWS A SUBDIVISION

3. MILITARY SUBCONTRACT AND PURCHASE COMMITMENTS TO (Indicate to Nearest Dollar and Percentage)

	CURRENT QUARTER THIS YEAR		SAME QUARTER LAST YEAR	
	FROM (Day, month, year) 1/1/81	TO (Day, month, year) 31/3/81	FROM (Day, month, year) 1/1/80	TO (Day, month, year) 31/3/81
a. SMALL BUSINESS (Net)	$ 559,535.85	23 %	$ 614,776.27	45 %
b. LARGE BUSINESS (Net)	$ 1,899,210.16	77 %	$ 755,772.82	55 %
c. TOTAL (3a + 3b)	$ 2,458,746.01	100%	$ 1,370,549.09	100%
d. MINORITY BUSINESS (Net)	$ 138,582.41	6 %	$ 30,430.64	2 %
e. NUMBER OF AWARDS TO SMALL BUSINESS	366		384	
f. NUMBER OF AWARDS TO MINORITY BUSINESS	24		2	

4. REMARKS [illegible]

There were heavy expenditures in broadcast media (e.g., $1,020,000 for TV network and approximately $293,000 for radio buys) and magazines. These media, for the most part, are "large" businesses. Because of the decision to reach the target audience through these media for this quarter, the expenditures with "small" businesses were necessarily less than usual.

5. TYPED NAME AND TITLE OF CORPORATION, COMPANY OR SUBDIVISION LIAISON OFFICER
Theresa E. Schillberg

5a. SIGNATURE Theresa E. Schillberg

5b. DATE REPORT SUBMITTED FOR APPROVAL 4/23/81

6. TYPED NAME AND TITLE OF REVIEWING OFFICIAL

6a. SIGNATURE

6b. DATE APPROVED AND SUBMITTED

DD FORM 1 MAR 70 1140-1

Previous edition is obsolete

EXHIBIT IV (B)

SUMMARY SUBCONTRACT REPORT

(Report to be submitted quarterly. See Instructions on reverse) (Type or Print)

FORM APPROVED OMB NO. 3090-0053

1. CONTRACTING AGENCY DoD		2. ADMINISTERING AGENCY United States Marine Corps	
3. DATE OF LAST GOVERNMENT REVIEW September 1981	4. REVIEWING AGENCY HQMC	5. DUNS NO. 02-428-6858	6. REPORT SUBMITTED AS: ☒ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH
7. CORPORATION, COMPANY, OR SUBDIVISION COVERED (Name, Address, ZIP Code) Thompson, J. Walter Co. 1156 15th Street, NW Washington, DC 20005		8. MAJOR PRODUCTS OR SERVICE LINES: Provision of supplies and services in connection with the conception, planning and implementation of advertising ideas for the United States Marine Corps in support of the personnel recruitment and retention program.	

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 81 through June 30, 19 81

COMMITMENTS	CURRENT FISCAL YEAR (To date)		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL (Sum of a and b)	8,117,375	100	5,157,573	100
a. SMALL BUSINESS CONCERNS	3,806,247	46.06	2,773,616	53.77
b. LARGE BUSINESS CONCERNS	4,311,128	53	2,383,957	46.22
10. SMALL DISADVANTAGED BUSINESS CONCERNS ($ & % of 9)	308,262	.04	101,517	.01
11. LABOR SURPLUS AREA CONCERNS ($ & % of 9)	NA-Please see attached			

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	415	1,476,979	974,219		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	1258	2,329,268	1,948,438	380,880	119
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	*	*	*	*	*
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	15	68,272	84,793		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	45	239,990	169,586	70,404	141
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)*

* No goals for under achievement.

Goals established in subcontracting plan (PL 95-507) have been established as percent of total contracted dollars, not in individual awards (Delivery Orders).

Delivery Orders over 21 months of current Basic Ordering Agreement number in excess of 550, ranging from $150.00 to as much as $1,000,000. The latter, network television, offers no cost-efficient opportunity for either small or small and disadvantaged businesses. Details are contained in the plan, which is reviewed and updated on an annual basis.

15. NAME AND TITLE OF LIAISON OFFICER Janice P. Callan Government Compliance Representative	SIGNATURE Janice P. Callan	DATE 9/10/81	TELEPHONE NO. (and Area Code) (202)861-8576
16. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation [illegible]

EXHIBIT IV (C)

SUMMARY SUBCONTRACT REPORT

(Report to be submitted quarterly. See instructions on reverse) (Type or Print)

FORM APPROVED OMB NO. 3090-0053

1. CONTRACTING AGENCY: DoD
2. ADMINISTERING AGENCY: United States Marine Corps
3. DATE OF LAST GOVERNMENT REVIEW: September 1981
4. REVIEWING AGENCY: HQMC
5. DUNS NO.: 02-428-6858
6. REPORT SUBMITTED AS: ☒ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH
7. CORPORATION, COMPANY, OR SUBDIVISION COVERED (Name, Address, ZIP Code):

Thompson, J. Walter Co.
1156 15th Street, NW
Washington, DC 20005

8. MAJOR PRODUCTS OR SERVICE LINES:

a. Provision of supplies and services in connection with the conception, planning and implementation of advertising ideas for the United States Marine Corps in support of the personnel recruitment and retention program.

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 80 through September, 19 81

COMMITMENTS	CURRENT FISCAL YEAR (To date)		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL (Sum of a and b)	10,154,032	100	7,410,262	100
a. SMALL BUSINESS CONCERNS	5,073,363	49.07	4,009,926	54.08
b. LARGE BUSINESS CONCERNS	5,080,669	50.00	3,400,336	45.00
10. SMALL DISADVANTAGED BUSINESS CONCERNS ($ & % of 9)	335,601	.03	164,109	.02
11. LABOR SURPLUS AREA CONCERNS ($ & % of 9)	NA-Please see attached			

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	19	1,267,116	974,219		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	1673	3,806,247	2,922,658	3,806,247	130
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	*	*	*	*	*
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	19	27,339	84,793		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	60	308,262	254,380	308,262	121
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)*

*No goals under achievement.

Goals established in subcontracting plan (PL 95-507) have been established as percent of total contracted dollars, not in individual awards (Delivery Orders).

Delivery Orders over 21 months of current Basic Ordering Agreement number in excess of 550, ranging form $150.00 to as much as $1,000,000.00. The latter, network television, offers no cost-effective opportunity for either small or small and disadvantaged businesses. Details are contained in the plan, which is reviewed and updated on an annual basis.

15. NAME AND TITLE OF LIAISON OFFICER Janice P. Callan Government Compliance Representative	SIGNATURE Janice P. Callan	DATE 11/30/81	TELEPHONE NO. (and Area Code) (202)861-8576
16. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation 59)

EXHIBIT IV (D)

SUMMARY SUBCONTRACT REPORT

(Report to be submitted quarterly. See Instructions on reverse) (Type or Print)

FORM APPROVED OMB NO. 3090-0053

1. CONTRACTING AGENCY DoD		2. ADMINISTERING AGENCY United States Marine Corps	
3. DATE OF LAST GOVERNMENT REVIEW September 1981	4. REVIEWING AGENCY HQMC	5. DUNS NO. 02-428-6858	6. REPORT SUBMITTED AS: ☒ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH
7. CORPORATION, COMPANY, OR SUBDIVISION COVERED (Name, Address, ZIP Code) Thompson, J. Walter Co. 1156 15th Street, NW Washington, D.C. 20005		8. MAJOR PRODUCTS OR SERVICE LINES: Provision of supplies and services in connection with the conception, planning and implementation of advertising ideas for the United States Marine Corps in support of the personnel recruitment and retention program.	

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 81 through December 31, 19 81

COMMITMENTS	CURRENT FISCAL YEAR (To date)		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL (Sum of a and b)	398,925	100	2,902,214	100
a. SMALL BUSINESS CONCERNS	123,321	30.0	1,769,732	60.05
b. LARGE BUSINESS CONCERNS	275,604	69.09	1,132,483	39.02
10. SMALL DISADVANTAGED BUSINESS CONCERNS ($ & % of 9)	4,241	01	101,407	03
11. LABOR SURPLUS AREA CONCERNS ($ & % of 9)	NA			

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	175	123,321	947,219		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	175	123,321	947,219	123,321	15
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	*	*	*	*	*
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	4	4,242	84,793		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	4	4,242	84,793	4,242	05
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)* (Please see attached sheet)

* No goals for under achievement.

Goals established in subcontracting plan (PL 95-507) have been established as percent of total contracted dollars, not in individual awards (Delivery Orders).

Delivery Orders over 21 months of current Basic Ordering Agreement number in excess of 550, ranging from $150.00 to as much as $1,000,000. The latter, network television, offers no cost-efficient opportunity for either small or small and disadvantaged businesses. Details are contained in the plan, which is reviewed and updated on an annual basis.

15. NAME AND TITLE OF LIAISON OFFICER Janice P. Callan Government Compliance Representative	SIGNATURE Janice P. Callan	DATE 2/4/82	TELEPHONE NO. (and Area Code) (202) 861-858
16. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation 59)

MEMO ROUTING SLIP	*NEVER USE FOR APPROVALS, DISAPPROVALS, CONCURRENCES, OR SIMILAR ACTIONS*	TION
1 TO W. Bray, Small Business	INITIALS	CIRCULATE
	DATE	COORDINATION
2 Frank Redford		FILE
		INFORMATION
3		NOTE AND RETURN
		PER CONVERSATION
4		SEE ME
		SIGNATURE

REMARKS

Attached is a Small Business Subcontracting Plan which is to be negotiated into The Recruit Advertising K for FY83, 84, + 85.

FROM Karl Wenger	DATE 7-7-82
	PHONE

DD FORM 1 OCT 60 95 REPLACES DD FORM 94, 1 FEB 50 AND DD FORM 95, 1 FEB 50 WHICH WILL BE USED UNTIL EXHAUSTED.

M00027-82-D-0084

J.Walter Thompson USA

J. Walter Thompson
U.S.A., Inc.

1156 Fifteenth Street, NW
Washington, DC 20005

202 861 8500

May 31, 1983

Mr. Frank Ledford
Headquarters, U.S. Marine Corps
Code LBC-3
1300 Wilson Blvd.
Rosslyn, VA 22209

Dear Frank:

Attached please find J. Walter Thompson's Subcontracting Plan for fiscal year 1983 for your review and approval. Thank you again for allowing us an extension on this project.

Please feel free to call with any questions or comments.

Sincerely,

John Wood
Management Supervisor

cc: Peter Gridley
Shiela D'Agostino
Angela Saunders
Marilyn Scott

FY 1983 through 1985

SUBCONTRACTING PLAN

Contract Number: M00027-82-D-0084

SUBCONTRACTING PLAN

SUBMITTED IN ACCORDANCE WITH

PUBLIC LAW 95-507

1. Contract Number: #M00027-82-D-0084

2. Contractor Name: J. Walter Thompson Company
Division: JWT-USA

3. Name of Individual completing this Plan: John R. Wood
Telephone Number: (202) 861-8555

4.

Dollars	Total Estimated Cost of Prime Contract-FY '83-84	Total Estimated Cost of Subcontract
Percentage Goals	$ 37,800,000.00	$ 29,824,763.00
Small Business	45.2 %	57.3 %
Small Disadvantaged Business	2.4 %	3.2 %

5. Comments on goals, subcontracting possibilities, and past performance of the concerns, subcontracting with small business and small disadvantaged business as they pertain to this procurement: (Attachments may be used)

(Please see Tab A)

6. The designated individual within the employ of the prime contractor, builder or offeror who will administer the subcontracting program of this contract is:

Name: Ms. Angela Saunders
Title: Minority Subcontracting Administrator
Address: J. Walter Thompson Company
City, State, Zip: 466 Lexington Avenue, New York, N.Y. 10017
Telephone No.: (212) 210-7751

Her duties are as follows: (Please see Tab B)

7. The efforts to be taken to assure that small business and small disadvantaged business concerns will have an equitable opportunity to compete for subcontracts as they pertain to this procurement are given: (Attachment may be used)

(Please see Tab C)

8. We provide a recitation of the types of records our concern will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small disadvantaged concerns; and efforts to identify and award subcontracts to such Small and Small Disadvantaged concerns as they pertain to this procurement: (Attachments may be used)

(Please see Tab D)

9. I, the undersigned, a designated officer of J. Walter Thompson Company
Company Name
do herewith assure that this concern will include the clause required by this contract in all subcontracts which offer further subcontracting opportunities, and that as the prime contractor we will require all subcontractors (except Small Business concerns) who receive subcontracts in excess of $1,000,000 in the case of a contract for construction of any public facility, or in excess of $5,000,000 in the case of all other contracts, to adopt a plan similar to this in the case of all other contracts, to adopt a plan similar to this plan. I further assure that as the prime contractor we will submit such periodic reports and cooperate in any studies or surveys as may be required by the Contracting Federal Agency of the Small Business Administration in order to determine the extent of compliance to this plan.

Signature

Vice President
Title

5. In addressing the question of what goals J. Walter Thompson Company will set regarding subcontracting possibilities, it is important to look at both Corporate Policy and past history.

   A) Corporate Policy Re Disadvantaged Individuals & Concerns:
   The J. Walter Thompson Company has long maintained a policy of seeking out qualified small business and minority owned-and operated-concerns to supply goods and services for all its clients, including the United States Marine Corps. To focus more clearly on the ways this policy can be implemented, it is necessary to look at the services provided by JWT and its subcontractors.

   As the only government supplier of Marine Corps Recruitment and Retention advertising services, work to be performed by the Indefinite Quantities contract can be characterized as follows:

   B) Work Provided by Prime Contractor (JWT)
   J. Walter Thompson supplies technical advice, marketing consultation, communications planning, supervision and evaluation. JWT also develops media plans, executes media purchases (subcontracts and provides evaluation of media delivery. In short, the primary contractor's goals are to ensure that the right people are reached with the right message(s) for the least possible cost to the government.

   C) Work Provided by Subcontractors
   The selection of media to be used by J. Walter Thompson in order to produce effective advertising for the government is dependant upon

the medium's ability to deliver the appropriate type of message. Another factor in this selection process is the search for those media which can accomplish these objectives at the least cost to the government. Here, comparisons are usually based upon the cost to reach 1,000 target persons.

As prospects for subcontracting media dollars are sought out, and attempts made to set goals, we are constrained by the number of companies which meet the selection criteria outlined in PL 95-507. The fact is particularly disturbing when one considers the proportion of subcontracting dollars which are devoted to media placement (roughly 80% in 1983). The matter is further compounded by the fact that the best media strategy for the Marine Corps calls for the placement of a large portion of funds in national magazines that have demonstrated their ability to provide the greatest returns for dollars expended. Unfortunately, there are no truly small disadvantaged businesses which publish the national magazines that reach the target audience using the appropriate format.

In order to put the matter into prospective, Exhibit I, breaks out projected expenditures in 1983. It reflects the dollar amounts subcontracted to small, small disadvantaged, and large concerns, as well as the amount spent with vendors of unknown status.

By way of comparison, Exhibit II forecasts expenditures for 1984 to 1985. From this, and other records kept on JWT's past performance in the area of subcontracting, we can set forth a goal that is both realistic and ambitious.

EXHIBIT I

FY '83
PROJECTED
EXPENDITURES

SUBCONTRACT TYPE	TOTAL EXPENDITURES	SMALL	%	SMALL DISADVANTAGED	%	LARGE	%
Non Media	1,714,069.00	1,268,411.06	(74)	27,425.10	(1.6)	418,232.84	(24.4)
Media							
Newspapers	536,696.00	536,696.00	(100)	---			
Magazines	1,438,398.00	632,895.12	(44)	71,919.90	(5)	733,582.98	(51)
Network Radio	171,036.00	---		111,173.40	(65)	59,862.60	(35)
Spot Radio	713,968.00	392,682.40	(55)	85,676.16	(12)	235,609.44	(33)
Network & Cable TV	271,618.00	48,891.24	(18)	2,716.18	(1)	220,010.58	(81)
Spot TV	1,357,355.00	542,942.00	(40)	13,573.55	(1)	800,839.45	(59)
Outdoor	202,168.00	54,585.36	(27)	---		147,582.64	(73)
Direct Mail	1,849,455.00	1,350,102.15	(73)	27,741.83	(1.5)	471,611.02	(25.5)
TOTALS	8,254,763.00	4,827,205.33	(58.5)	340,226.12	(4.1)	3,087,331.55	(37.4)

EXHIBIT I

FY '84
PROJECTED
EXPENDITURES

SUBCONTRACT TYPE	TOTAL EXPENDITURES	SMALL	%	SMALL DISADVANTAGED	%	LARGE	%
Non Media	2,000,000.00	1,480,000.00	(74)	32,000.00	(1.6)	488,000.00	(24.4)
Media							
Newspapers	700,000.00	700,000.00	(100)	---			
Magazines	1,500,000.00	660,000.00	(44)	75,000.00	(5)	765,000.00	(51)
Network Radio	---	---		---		---	
Spot Radio	900,000.00	495,000.00	(55)	108,000.00	(12)	297,000.00	(33)
Network & Cable TV	270,000.00	48,600.00	(18)	2,700.00	(1)	218,700.00	(81)
Spot TV	3,000,000.00	1,200,000.00	(40)	30,000.00	(1)	1,770,000.00	(59)
Outdoor	275,000.00	74,250.00	(27)	---		200,750.00	(73)
Direct Mail	2,000,000.00	1,460,000.00	(73)	30,000.00	(1.5)	510,000.00	(25.5)
TOTALS	10,645,000.00	6,117,850.00	(57.5)	277,700.00	(2.6)	4,249,450.00	(39.9)

EXHIBIT I

FY '85
PROJECTED
EXPENDITURES

SUBCONTRACT TYPE	TOTAL EXPENDITURES	SMALL	%	SMALL DISADVANTAGED	%	LARGE	%
Non Media	1,500,000.00	1,110,000.00	(74)	24,000.00	(1.6)	366,000.00	(24.4)
Media							
Newspapers	750,000.00	750,000.00	(100)	---			
Magazines	1,660,000.00	726,000.00	(44)	82,500.00	(5)	841,500.00	(51)
Network Radio	---	---		---		---	
Spot Radio	900,000.00	495,000.00	(55)	108,000.00	(12)	297,000.00	(33)
Network & Cable TV	325,000.00	58,500.00	(18)	3,250.00	(1)	263,250.00	(81)
Spot TV	3,300,000.00	1,320,000.00	(40)	33,000.00	(1)	1,947,000.00	(59)
Outdoor	300,000.00	81,000.00	(27)	---		219,000.00	(73)
Direct Mail	2,200,000.00	1,606,000.00	(73)	33,000.00	(1.5)	561,000.00	(25.5)
TOTALS	10,925,000.00	6,146,500.00	(56.3)	283,750.00	(2.6)	4,494,750.00	(41.1)

6. The designated individual within the employ of the prime contractor, builder or offeror who will administer the subcontracting program of this contract is:

Name	Ms. Angela Saunders
Title:	Minority Subcontracting Administrator
Address:	J. Walter Thompson 466 Lexington Avenue New York, N.Y. 10017
Telephone:	(212) 210-7751

Her duties are as follows:

The position of Minority Subcontracting Administrator will occupy about 25% of this individual's time with records keeping, correspondence, reporting and otherwise ensuring that the goals of the plan are both understood by all who are in a position to screen and select outside suppliers as well as potential suppliers themselves.

It will be her responsibility to maintain familiarity with source documents which will assist in finding qualified, disadvantaged small businesses, and to be the central resource within the J. Walter Thompson organization for individuals who are in search of such concerns.

Finally, she will report to management with respect to compliance by the various departments in meeting the goals which have been set for percentage expenditures with small and small disadvantaged business concerns.

7. J. Walter Thompson has always been actively involved in seeking out small business and small disadvantaged business concerns in its search for qualified subcontractors. JWT is a subscriber of "TRY US," the most widely used minority vendor source published today. Pertinent information is extracted and disseminated to JWT buyers who then investigate the possible qualified suppliers. In addition, JWT just recently subscribed to "A Guide to Obtaining Minority Directories."

At our request for additional source information, the Small Business Administration has also supplied JWT with "8(A) Company Portfolio CCAM35-15A," a document listing small, and small disadvantaged vendors. Unfortunately, this list deals with such services a shoe repairs, engineering and architectural services, fuel, oil, and food services.

Instances such as these are examples of positive action on the part of J. Walter Thomspon. Unfortunately, as stated earlier, we have been hard pressed to locate competent services applicable to our work for the Marine Corps.

It is important to keep in mind that JWT will not sacrifice quality/cost relationships for the Marine Corps or any other client to force subcontracting dollars into the hands of any group. Expenditures must be on the basis of quality work for a fair price. Second, JWT conducts almost all of its business for the USMC in either the metropolitan, New York area or the area including Washington, D.C. and surrounding counties.

These two points are not brought forth as excuses. Rather, they are introduce to indicate that almost every advertising job is placed nearby one of the two supervising offices on the Marine Corps account. This way, materials can be produced under the ready scrutiny of our technical personnel, and time-sensitive aspects of the advertising function can be met with the highest quality materials possible. Nonetheless, JWT continues the search on all levels.

8. In our efforts to locate subcontracting possibilities, JWT has instigated procedures by which vendors can be clasified and records kept on our continuing effort. Several different forms are used internally and by our vendors to that end. Becuase the buyer is responsible for accomplishing the maximum amount of subcontracting with small and small and disadvantaged businesses in compliance with PL 95-507, records have been maintained to show whether the award went to small, large, or small and disadvantaged business concerns. In this regard, Exhibit III has been designed to assist the buyer in obtaining this information. The letter informs the vendor of JWT's participation in the government's subcontracting program, and asks him to identify himself.

Every subcontractor is required to fill out this form at the time we are entering into agreement for services on behalf of the government. Upon receipt of the form, the information is input into our computer system, and at the end of each quarter a retrieval is requested to reflect:

a) A listing which shows vendor type with the dollar expenditures.

b) A listing of vendor transactions by type of activity.

Using these we can establish the number of small businesses to which we have subcontracted, the number of disadvantaged businesses with which we have done business and the number of disadvantaged small businesses to which government funds have been provided.

Further, we can also determine how this information breaks out by area of activity, using the so-called media codes in the computer. Consequently, department heads can see at a glance, each quarter, just how purchases have been distributed.

In order to accomplish this, a quarterly report will be issued from the D.C. office, reflecting these figures. Contained in Exhibit IV (A-I) are examples of this report as it covers FY '82.

Exhibit V is an example of forms that accompany the dissemination of source information by the liaison. There is follow-up correspondance to insure that the source is investigated.

Exhibit III

J. Walter Thompson USA

JWT

J. Walter Thompson
U.S.A., Inc.

466 Lexington Avenue
New York, NY 10017

212 210 7000

RE: U.S. Marine Corps

Gentlemen:

In connection with providing advertising for our client, the U.S. Marine Corps, this company participates in the Government's Small Business, Labor Surplus Area and Small Disadvantaged Business Concerns Subcontracting Programs, and is required to provide the U.S. Government with certain related statistics in accordance with current Governmental regulations. As a result, it is necessary that our suppliers furnish us with information regarding their status as a Small, Large, or Small Disadvantaged Business Concern, and also indicate whether any of the work will be performed in a labor surplus area.

We would appreciate your entering the information below and returning this form as quickly as possible.

INFORMATION TO BE ENTERED BY SUPPLIER:

The undersigned hereby represents that the company whose name is listed below is:

☐ SMALL BUSINESS ☐ LARGE BUSINESS ☐ SMALL DISADVANTAGED BUSINESS CONCERN

Please return this letter to: Ms. Angela Saunders (at above address)

For the definition of a Small Disadvantaged Business Concern, see DAR 7-104.14(a) (Black Americans, Hispanic Americans, Native Americans (such as American Indians, Eskimos, Aleuts and Native Hawaiians), and other minorities, or any other individuals found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small Business Act).

NAME OF COMPANY____________________

____

SIGNATURE____________________

TITLE____________________

Exhibit III

GENERAL DEFINITIONS per DAR (Defense Acquisition Regulation)

SMALL BUSINESS

- A concern that is indepentently owned and operated.
- Is not dominant in its field of operations, i.e., does not exercise a controlling or major influence in a kind of business activity in which a number of business concerns are primarily engaged.
- The average annual receipts of the concern and its affiliates for the preceding three fiscal years must not exceed $2 million.
- For motion picture production or motion picture services, average annual receipts for preceding three fiscal years must not exceed $8 million.
- For computer programming, average annual receipts for preceding three fiscal years must not exceed $4 million.
- For data processing services, average annual receipts for preceding three fiscal years must not exceed $4 million.
- The number of employees of the concern and its affiliates must not exceed 500 persons. (Manufacturing companies only)

SMALL DISADVANTAGED BUSINESS CONCERNS

As defined in the DAR, the term "small disadvantaged business concern" means a small business concern which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals (Black American, Hispanic Americans, Native Americans - such as American Indians, Eskimos, Aleuts, and Native Hawaiians - and other minorities, or any other individuals found to be disadvantaged by the Administration pursuant to Section 8(a) of the Small Business Act); or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; or whose management and daily business operations are controlled by one or more of such individuals.

SUMMA[illegible]BCONTRACT REPORT *(Report to be submitted quart[illegible]. See instructions on reverse) (Type or Pr[illegible])*	FORM APPROVED OMB NO. Exhibit IV, (A) 3090-0053

1. CONTRACTING AGENCY DoD		2. ADMINISTERING AGENCY United States Marine Corps	
3. DATE OF LAST GOVERNMENT REVIEW September 1981	4. REVIEWING AGENCY HQMC	5. DUNS NO. 02-428-6858	6. REPORT SUBMITTED AS: ☒ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH
7. CORPORATION, COMPANY, OR SUBDIVISION COVERED *(Name, Address, ZIP Code)* Thompson, J. Walter Co. 1156 15th Street, NW Washington, D.C. 20005		8. MAJOR PRODUCTS OR SERVICE LINES: Provision of supplies and services in connection with the conception, planning and implementation of advertising ideas for the United States Marine Corps in support of the personnel recruitment and retention program.	

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 81 through December 31, 19 81

COMMITMENTS	CURRENT FISCAL YEAR *(To date)*		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL *(Sum of a and b)*	398,925	100	2,902,214	100
a. SMALL BUSINESS CONCERNS	123,321	30.0	1,769,732	60.05
b. LARGE BUSINESS CONCERNS	275,604	69.09	1,132,483	39.02
10. SMALL DISADVANTAGED BUSINESS CONCERNS *($ & % of 9)*	4,241	.01	101,407	.03
11. LABOR SURPLUS AREA CONCERNS *($ & % of 9)*	NA			

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	175	123,321	947,219		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	175	123,321	947,219	123,321	15
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	*	*	*	*	*
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	4	4,242	84,793		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	4	4,242	84,793	4,242	.05
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS					

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)* (Please see attached sheet)

* No goals for under achievement.

Goals established in subcontracting plan (PL 95-507) have been established as percent of total contracted dollars, not in individual awards (Delivery Orders).

Delivery Orders over 21 months of current Basic Ordering Agreement number in excess of 550, ranging from $150.00 to as much as $1,000,000. The latter, network television, offers no cost-efficient opportunity for either small or small and disadvantaged businesses. Details are contained in the plan, which is reviewed and updated on an annual basis.

15. NAME AND TITLE OF LIAISON OFFICER Janice P. Callan Government Compliance Representative	SIGNATURE Janice P. Callan	DATE 2/4/82	TELEPHONE NO. (and Area Code) (202) 861-8591
16. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation 59)

SUMMARY [illegible]ONTRACT REPORT
(Report to be submitted quarterly. [illegible] Instructions on reverse) (Type or Print)

FORM APPROVED OMB NO.
Exhibit IV, (B)
3090-0053

1. CONTRACTING AGENCY: DoD

2. ADMINISTERING AGENCY: UNITED STATES MARINE CORPS

3. DATE OF LAST GOVERNMENT REVIEW: September 1981

4. REVIEWING AGENCY: HQMC

5. DUNS NO.: 01-428-6858

6. REPORT SUBMITTED AS: ☒ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH

7. CORPORATION, COMPANY, OR SUBDIVISION COVERED (Name, Address, ZIP Code)

J. Walter Thompson
1156 15th Street NW
Washington, D.C. 20005

8. MAJOR PRODUCTS OR SERVICE LINES:

Provision of supplies and services in connection with the conception, planing and implementation of advertising ideas for the US Marine Corps in support of the personnel recruitment and retention program.

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 81 through March, 19 82

COMMITMENTS	CURRENT FISCAL YEAR (To date)		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL (Sum of a and b)	1,317,871.00	100	5,360,961.00	100
a. SMALL BUSINESS CONCERNS	662,609.00	50	2,329,268.00	43.45
b. LARGE BUSINESS CONCERNS	655,262.00	50	3,031,693.00	56.55
10. SMALL DISADVANTAGED BUSINESS CONCERNS ($ & % of 9)	23,208.00	02	239,990.00	4.48
11. LABOR SURPLUS AREA CONCERNS ($ & % of 9)	NA Please see attached			

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	91	539,288	886,155		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	266	123,321	886,155	123,321	7.2
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	*	*	*	*	*
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	3	18,967	40,453		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	7	4,241	40,453	4,241.	9.5
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	*	*	*	*	*

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)*

* No goals for under achievement.

Goals established in subcontracting plan (PL 95-507) have been established as percent of total contracted dollars, not in individual awards (Delivery Orders).

Delivery orders over 21 months of current Basic Ordering Agreement number in excess of 550, ranging from $150.00 to as much as $1,000,000. The latter, network television, offers no cost-efficient opportunity for either small or small and disadvantaged businesses. Details are contained inthe plan, which is reviewed and updated on an annual basis.

15. NAME AND TITLE OF LIAISON OFFICER	SIGNATURE	DATE	TELEPHONE NO. (and Area Code)
Janice P. Callan Government Compliance Representative			
16. NAME AND TITLE OF APPROVING OFFICIAL	**SIGNATURE**	**DATE**	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation 58)

SUMMAR[illegible] CONTRACT REPORT

(Report to be submitted quarterly. See Instructions on reverse) (Type or Print)

FORM APPROVED OMB NO. Exhibit IV, (C) 3090-0053

1. CONTRACTING AGENCY: DoD
2. ADMINISTERING AGENCY: United States Marine Corps
3. DATE OF LAST GOVERNMENT REVIEW: September, 1981
4. REVIEWING AGENCY: HQMC
5. DUNS NO.: 02-428-6858
6. REPORT SUBMITTED AS: ☒ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH

7. CORPORATION, COMPANY, OR SUBDIVISION COVERED (Name, Address, ZIP Code)

Thompson, J. Walter Co.
1156 15th Street, NW
Washington, DC 20005

8. MAJOR PRODUCTS OR SERVICE LINES:

Provision of supplies and services in connectic with the conception, planning and implementatic of advertising ideas for the United States Marine Corps in support of the personnel recruitment and retention program.

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 81 through June, 19 82

COMMITMENTS	CURRENT FISCAL YEAR (To date)		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL (Sum of a and b)	2,351,385	100	8,117,375	100
a. SMALL BUSINESS CONCERNS	1,124,956	48	3,806,247	47
b. LARGE BUSINESS CONCERNS	1,226,429	52	4,311,128	53
10. SMALL DISADVANTAGED BUSINESS CONCERNS ($ & % of 9)	43,518	2	308,262	4
11. LABOR SURPLUS AREA CONCERNS ($ & % of 9)	NA - PLEASE SEE ATTACHED.			

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	1	6,198,319	7,439,143		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	NA - CONTRACT NOT YET COMPLETED				
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	NA				
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS	1	379,119	500,707		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS	NA - CONTRACT NOT YET COMPLETED				
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	NA				

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)*

Goals for contracts with small businesses and with small disadvantaged businesses are based on J. Walter Thompson's subcontracting plan in accordance with PL 95-507. The goals are the cumulative goals of the 1981 and 1982 plans. There was no plan for 1980. In the event that a new contract is awarded for the period 1983 through 1986, a three year subcontracting plan will be developed.

15. NAME AND TITLE OF LIAISON OFFICER	SIGNATURE	DATE	TELEPHONE NO. (and Area Code)
Janice P. Callan Government Compliance Representative		7/21/82	(202)861-8581
16. NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation 53)

SUMMARY [illegible]CONTRACT REPORT
(Report to be submitted quart[illegible] Instructions on reverse) (Type or Print)

FORM APPROVED OMB NO.
Exhibit IV. (D)
3090-0053

CONTRACTING AGENCY DoD	2. ADMINISTERING AGENCY United States Marine Corps

DATE OF LAST GOVERNMENT REVIEW September 1981	4. REVIEWING AGENCY HQMC	5. DUNS NO. 02-428-6858	6. REPORT SUBMITTED AS: ☒ PRIME CONTRACTOR ☐ SUBCONTRACTOR ☐ BOTH

CORPORATION, COMPANY, OR SUBDIVISION COVERED (Name, Address, ZIP Code)

Thompson, J. Walter Co.
1156 15th Street, NW
Washington, DC 20005

8. MAJOR PRODUCTS OR SERVICE LINES:
a. Provision of supplies and services in connection with the conception, planning and implementation of advertising ideas for the
b. United States Marine Corps in support of the
c. personnel recruitment and retention program.

CUMULATIVE COMMITMENTS

Subcontract and Purchase Commitments for the Period October 1, 19 81 through September, 19 82

COMMITMENTS	CURRENT FISCAL YEAR *(To date)*		SAME PERIOD LAST YEAR	
	DOLLARS	PERCENT	DOLLARS	PERCENT
9. TOTAL *(Sum of a and b)*	4,235,148	100	10,154,032	100
a. SMALL BUSINESS CONCERNS	2,287,785	54	5,073,363	50
b. LARGE BUSINESS CONCERNS	1,947,363	45	5,080,669	50
10. SMALL DISADVANTAGED BUSINESS CONCERNS *($ & % of 9)*	122,958	2	335,601	3
11. LABOR SURPLUS AREA CONCERNS *($ & % of 9)*	NA - PLEASE SEE ATTACHED			

SUBCONTRACT GOAL ACHIEVEMENT

GOALS	NO. OF CONTRACTS	$ VALUE OF SUBCONTRACTS (000)	$ VALUE OF SUBCONTRACT GOALS	ACTUAL GOAL ACHIEVEMENT	
				DOLLARS	%
12. CONTRACTS WITH SMALL BUSINESS SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS -CONTRACT COMPLETED-	------	------	------		
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS					
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	1	7,361,148	7,378,235	7,361,148	99
13. CONTRACTS WITH SMALL DISADVANT. BUS. SUBCONTRACT GOALS					
a. ACTIVE CONTRACTS -CONTRACT COMPLETED-					
b. CONTRACTS COMPLETED THIS QUARTER WHICH MET GOALS					
c. CONTRACTS COMPLETED THIS QUARTER NOT MEETING GOALS	1	458,559	446,346	458,559	100

14. REMARKS *(Enter a short narrative explanation if: (a) Zero is entered in Blocks 9a or 10 for current fiscal year, (b) the percent entry in Block 9a for current fiscal year is more than 5 percentage points below the percent reported for same period last year, or (c) the percent entry in Block 10 for current fiscal year is lower than the percent reported for same period last year.)*

Goals for contracts with small businesses and with small disadvantaged businesses are based on J. Walter Thompson's subcontracting plan in accordance with PL 95-507. The goals are the cumulative goals of the 1981 and 1982 plans. There was no plan for 1980. A three year plan is currently being developed for the new contract period of 1983-1986.

NAME AND TITLE OF LIAISON OFFICER Janice P. Callan Government Compliance Representative	SIGNATURE Janice P. Callan	DATE 10/25/82	TELEPHONE NO. (and Area Code) (202)861-8581
NAME AND TITLE OF APPROVING OFFICIAL	SIGNATURE	DATE	

STANDARD FORM 295 (4-81)
Prescribed by GSA (FPR Temporary Regulation 58)

Exhibit V

EXHIBIT V

PUBLIC LAW 95-507

SMALL AND DISADVANTAGED SMALL BUSINESS

SUBCONTRACTING

ADVICE

DEPARTMENT: ____________________

DEPARTMENT HEAD: ____________________

DATE: ____________________

DUE DATE: ____________________

( ) Satisfactory

( ) Unsatisfactory
(fill in remarks)

Below please find the name of a Small/Disadvantaged-small business concern which is forwarded for your evaluation as a possible supplier on the United States Marine Corps Account. Would you please attempt to contact this firm or individual and ascertain whether Marine Corps standards can be met. Your response by the above-indicated date will be appreciated.

BUSINESS TYPE

Firm Name ____________________

Individual ____________________

Street ____________________

City ____________________

State/Zip ____________________

- -

Remarks:

DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
WASHINGTON, D.C. 20380

Green

IN REPLY REFER TO
LBC-3:KRB/kmp

11 JUL 1983

Mr. John Wood
Management Supervisor
J. Walter Thompson Inc.
1156 Fifteenth Street, N.W.
Washington, D.C. 20005

Dear Mr. Wood:

Your Subcontracting Plan submitted by letter dated 31 May 1983 has been reviewed and is hereby approved.

Sincerely yours,

KRB

KENNY R. BLUTEAU
Contracting Officer
United States Marine Corps

NRCC Washington, DC

Contract No. N00600-82-C-001

N00600-82-C-0001

THE TED BATES SUBCONTRACTING PLAN
FOR THE UTILIZATION OF
SMALL AND SMALL DISADVANTAGED
BUSINESS CONCERNS

Furnished in connection with
Request For Proposal No. N00600-81-R-6730

September 16, 1981

Attachment (1)

The following, together with any attachments, is hereby submitted as a Subcontracting Plan to satisfy the applicable requirements of Public Law 95-507 as implemented by OFPP Policy Letter 80-2.

THE TED BATES SUBCONTRACTING PLAN FOR THE UTILIZATION OF SMALL AND SMALL DISADVANTAGED BUSINESS CONCERNS

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1. Total Estimated Dollars and Goals

The total estimated dollars to be subcontracted each year under the solicitation with separate goals for the utilization of small business concerns and small disadvantaged business concerns.

(NOTE: At the direction of Mrs. Kenita Armellino of NRCO and Mr. John Castellane of DCAA, we are addressing only Lot I of the solicitation.)

a. Percentage Goals

The following percentage goals (expressed in terms of a percentage of total planned subcontracting dollars) are applicable to the contract cited above or to the contract awarded under the solicitation cited.

(i) Small Business concerns: 12.2% of total planned subcontracting dollars under this contract will go to subcontractors who are small business concerns.

(ii) Small Disadvantaged Business Concerns: 1.7% of total planned subcontracting dollars under this contract will go to subcontractors who are small business concerns owned and controlled by socially and economically disadvantaged individuals. This percentage is included in the percentage shown under 1. (a) (i), above, as a subset.

b. Corresponding Dollar Values

The following dollar values correspond to the percentage goals shown in (a) above.

(i) Total dollars planned to be subcontracted to small business concerns: $976,000.

(ii) Total dollars planned to be subcontracted to small disadvantaged business concerns: $136,000. This dollar amount is included in the amount shown under 1.(b)(i), above, as a subset.

c. Total Subcontracted Dollars

The total estimated dollar value of all planned subcontracting (to all types of business concerns) under this contract is $8,000,000.

d. Method Used to Develop Goals

Total subcontracted dollars are in accordance with your RFP. During FY'80 we spent 11.6% of our total subcontracted dollars with small business and 1.4% with disadvantaged business. This was a considerable increase over the previous fiscal years. For FY'81 as well as FY'82, we plan to increase this quota further and have set a goal of 12.2% for small business and 1.7% with disadvantaged business..

e. Indirect/Overhead Costs

Indirect and overhead costs have not been included in the goals specified in 1(a) and 1(b).

2. Name Of Individual Administering Plan

The name of an individual within the employ of the offeror who will administer the subcontracting plan of the offeror and a description of the duties of such individual.

The subcontracting plan at Ted Bates is supervised and administered by Mr. Albert J. DiOrio, Supervisor of Budgets and Contracts. Mr. DiOrio is located in Ted Bates' New York Office at 1515 Broadway. His telephone number there is 212-869-3131, Extension 6951.

His specific duties, as they relate to the firm's subcontracting program, are as follows:

General overall responsibility for Ted Bates' Small Business Program, the development, preparation and execution of individual subcontracting plans and for monitoring performance relative to contractual subcontracting requirements contained in this plan, including but not limited to:

(a) Developing and maintaining bidders lists of small and small disadvantaged business concerns from all possible sources.

(b) Ensuring the procurement system is structured to permit small and small disadvantaged business concerns to participate to the maximum extent possible.

(c) Assuring inclusion of small and SDB concerns in all solicitations for products or services which they are capable of providing.

(d) Reviewing solicitations to remove statements, clauses, etc, which may tend to restrict or prohibit SB and SDB participation.

(e) Ensuring periodic rotation of potential subcontractors on bidders lists.

(f) Ensuring that the bid proposal review board documents its reasons for not selecting low bids submitted by small and small disadvantaged business concerns.

(g) Ensuring the establishment and maintenance of records of solicitations and subcontract award activity.

(h) Attending or arranging for attendance of company counsellors at Business Opportunity Workshops, Minority Business Enterprise Seminars, Trade Fairs, etc.

(i) Conducting or arranging for conduct of motivational training for purchasing personnel pursuant to the intent of P.L. 95-507.

(j) Monitoring attainment of proposed goals.

(k) Preparing and submitting periodic subcontracting reports required.

(l) Coordinating contractor's activities during the conduct of compliance reviews by Federal agencies.

(m) Coordinating the conduct of contractor's activities involving its small and small disadvantaged business subcontracting program.

3. Assurance of Equitable Opportunity of SB/SDB Concerns

A description of the efforts the offeror will make to assure that small and small disadvantaged business concerns will have on equitable opportunity to compete for subcontracts.

As stated on page 4 of the Ted Bates Procurement Manual, "Any purchase in excess of $10,000 requires solicitation of at least one small/minority vendor." For all purchases, known small and disadvantaged business concerns are given opportunity to bid in the subcontracting program. Ted Bates maintains an open door policy to all suppliers wishing to participate, and emphasis is continually placed on locating additional small and disadvantaged business concerns. This is accomplished through:

- Contacts with minority and small business trade associations
- Contacts with business development organizations
- Attendance at small and minority business procurement conferences and trade fairs
- The requesting of sources from SBA's PASS system.

Additionally, the following internal efforts will be made to guide and encourage buyers:

- Workshops, seminars and training programs will be conducted
- Activities will be monitored to evaluate compliance with this subcontracting plan

Small and small disadvantaged business concern source lists, guides and other data identifying small and small disadvantaged business concerns will be maintained and utilized by buyers in soliciting subcontracts.

4. Inclusion of Clause in Subcontracts Over $500,000

Assurances that the offeror will include the clause entitled "Utilization of Small Business and Small Disadvantaged Business Concerns" in all subcontracts which offer further subcontracting opportunities and will require all subcontractors (except small business concerns) who receive subcontracts in excess of $500,000 to adopt a plan in consonance with this clause.

It is a requirement of the Ted Bates Procurement System that the Supervisor, Budgets and Contracts be notified of all subcontracts over $25,000 prior to their issuance. He, in turn, reviews all procedures involved to assure adherance to the subcontract regulations and then notifies the ACO (Mr. Mel Zitter) of the subcontract.

During this review, he makes sure that the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals is included in all subcontracts which offer further subcontracting opportunities and all subcontractors except small business concerns who receive in excess of $500,000 will be required to adopt and comply with a subcontracting plan similar to this one. Such plans will be reviewed by comparing them with the provisions of Public Law 95-507, and assuring that all minimum requirements of an acceptable subcontracting plan have been satisfied. The acceptability of percentage goals shall be determined on a case-by-case basis depending on the supplies/services involved, the availability of potential small and small disadvantaged subcontractors, and prior experience. Once approved and implemented, plans will be monitored through the submission of periodic reports, and/or, as time and availability of funds permit, periodic visits to subcontractors facilities to review applicable records and subcontracting program progress.

5. Assurance of Periodic Reporting

Assurances that the offeror will submit periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or small business administration in order to determine the extent of compliance by the offeror with the subcontracting plan.

Ted Bates shall continue to submit on a quarterly, contract by contract basis, all required statistical data concerning small and small disadvantaged business concerns on form DD295 to the cognizant military department, agency and representative.

6. Record Retention - Source Lists, Subcontracts

A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adapted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business and small disadvantaged business concerns, and efforts to identify and award subcontracts to such small businesses.

All U. S. Navy purchase orders are maintained and reviewed by the Supervisor, Budgets and Contracts. A master file of these records is kept in his office. Each purchase order is accompanied by a Price Justification and/or Pre-Award Synopsis Form which documents the cost efficiency and reasonableness of the award as well as the type of company, and its classification as small, large, or minority business. Data is compiled on a quarterly basis, to identify all vendor awards, their dollar amount, and their classification as a small/large/minority business concern.

This system, which forms the back-bone of the Ted Bates Procurement System, is also an integral part of our Subcontracting Plan. As part of this plan, Ted Bates agrees to maintain the following records:

(a) On a contract-by-contract basis, records of all subcontract solicitations over $10,000, indicating on each solicitation (1) whether small business concerns were solicited, and if not, why not; (2) whether small disadvantaged business concerns were solicited, and if not, why not; and (3) reasons for the failure of solicited small or small disadvantaged business concerns to receive the subcontract award.

(b) On a contract-by-contract basis, records to support subcontract award data to include name and address of subcontractor.

(c) Records to support other outreach efforts: Contacts with Minority and Small Business Trade Associations, etc. Attendance at small and minority business procurement conferences and trade fairs.

(d) Records to support internal activities to guide and encourage buyers: Workshops, Seminars, training programs, etc. Monitoring activities to evaluate compliance.

(e) Small and Small Disadvantaged Business Concern source lists, guides and other data identifying SB/SDBC vendors.

(f) Organizations contacted for small and disadvantaged business sources.

A. Supplier Categories To Be Utilized in Subcontracting

Identify each category of supplies/services to be subcontracted in performance of a contract to be awarded on solicitation N00600-81-R-~~5~~730.

In the past, Ted Bates has utilized Small and Small Disadvantaged Business Concerns in the following job categories.

- List Brokers
- Printers
- Recording Studios
- Illustrators
- Typographers
- Premium Vendors
- Letter Shops
- Talent
- Retouchers
- Editorial Services
- Instrument Rental
- Photographers
- Radio Time
- Engravers
- Market Research Supplies
- Film/TV Production
- Photstats

We intend to continue the use of our known SB/SDB concerns in the categories above and will make every effort to expand the list.

B. Specific Suppliers To Be Utilized in Subcontracting

The sources to be solicited for the above should be identified for each category and further annotated as to appropriate business size, i.e. large business, small business and/or small disadvantaged business.

The list of acceptable SB/SDB suppliers which we have used to date in the above mentioned categories, is as follows (all are small businesses; asterisk signifies small minority business):

- List Brokers
  - Type Scan
  - Compilers Plus
  - College Marketing Group
  - Clark O'Niell, Inc.
  - Market Development Corp.
- Printers
  - Creative Trade Press
  - Imperial Envelope Co.
  - *B.A.T. Litho
  - Rolls Offset
- Recording Studios
  - Mayfair Recording Studios
  - Corelli/Jacobs
  - The Mix Place
- Illustrators
  - The Art Source
  - Gerald & Cullen Rapp, Inc.
  - Thomas Van Stienbergh
- Typographers
  - Potomac Graphics
  - City Type
  - Photolettering
- Premium Vendors
  - Dial-A-Premium
  - Cross Patch, Ltd.
  - Sam Bressler
- Letter Shops
  - Automatic Mail Services
- Talent
  - *Luther Van Dross
  - *Chloe Watkins
  - *Raul Gollyot
  - *Hector Osario
  - *Felipe Garastiga
  - *Nathaniel Rich
  - *Jose Santana
  - *Tucker Smallwood
  - *Kenny Brauner
  - *Ray Herrara

Retouchers
- Retouching, Inc.
- Leon Appel Assoc.
- Sam Muggeo

Editorial Services
- Mike Dabie
- Editeam, Inc.

Instrument Rental
- Carroll Musical Instrument Service

Photographers
- Daniel Kramer
- George Houseman
- *Lenny Morris

Radio Time
- *Selcom

Engraver
- Alexander Eng.

Market Research Supplier
- Howard Grendel
- Joyce Hutchenson Inc.
- Adler Weiner

Film/TV Production
- Phase Two Vedio
- AFI Productions, Inc.
- Comart Aniforms
- *Media Marketing & Affiates

Photstats
- American Blueprint Co.

We intend to continue the use of our known SB/SDB concerns in the categories above and will make every effort to expand the list.

C. Sources of SB/SDB Suppliers

Organizations contacted or to be contacted for small business firms and small disadvantaged business sources.

The Supervisor, Budgets and Contracts has been and will continue to be in touch with a number of publications, people and organizations who serve as sources for new small and small disadvantaged business. These include:

- "Try Us"
- PASS System from Small Business Administration
- The Defense Logistics Agency
- The Minority Business Directory
- National Industries for the Blind
- National Industries for the Handicapped
- Directory of Sheltered Workshops

D. Ted Bates Outreach Program

A description of an outreach program to locate and identify capable small business firms for the Ted Bates Subcontracting Program.

Ted Bates maintains an "open door" policy to all small and small disadvantaged businesses and this policy is stressed in regular meetings between the Supervisor, Budgets and Contracts and the Ted Bates buyers.

In these meetings, the buyers are encouraged to:

1. Continue the use of our "known" SB/SDB suppliers.
2. Make maximum use of the new SB/SDB names received from the sources listed in section C.
3. Seek out, through their own industry contacts, new and capable SB/SDB suppliers.
4. Attend small and minority business conferences and trade fairs.

As explained on page 5, in section 3, the Supervisor of Budgets and Contracts shall maintain contacts with business development organizations on minority and small business trade associations.

Additionally, all small and small/minority businesses referred to the Supervisor, Budgets and Contracts are immediately passed on to the proper in-house buyer, for follow-up. They in trun contact the supplier in question and report back to the Supervisor, Budgets and Contracts regarding the suppliers capabilities and the possibility of their inclusion in future bidding.

E. Record Retention - Outreach Program

Records to support internal activities to guide and encourage buyers such as workshops, seminars, training programs, etc. and monitoring activities to evaluate compliance.

All internal activities encouraging buyers to utilize small and small disadvantaged businesses are documented in writing.

Additionally, a "Pre-Award Synopsis Form" (see sample attached) must be completed for every purchase order issued on the Navy Account. It is a requirement of the Ted Bates Procurement System that any purchase in excess of $10,000 requires solicitation of at least one small/disadvantaged vendor. If no small/disadvantaged vendors are solicited, the reasons for non-selection must be documented on the "Pre-Award Synopsis Form". These forms are reviewed regularly by the Supervisor, Budgets and Contracts.

☐ U. S. NAVY CONTRACT N00600-76-D-0369 ☐ U. S. NAVY CONTRACT N00600-79-C-0001 PRE-AWARD SYNOPSIS FORM

JOB #
TRI-M #
SUBCONTRACT #

BRIEF DESCRIPTION OF GOODS OR SERVICES

PROPOSED AWARDEE

TOTAL PURCHASE ORDER/SUBCONTRACT VALUE

ITEM/DESCRIPTION/QUANTITY	1.		2.		3.		4.	
	UNIT PRICE	TOTAL PRICE	UNIT PRICE	TOTAL PRICE	UNIT PRICE	TOTAL PRICE	UNIT PRICE	TOTAL PRICE
BIDDER'S NAME AND DATE BID								
TOTAL								
LARGE BUSINESS/SMALL BUSINESS								
INDICATE HERE IF MINORITY BUSINESS								
TYPE OF BUSINESS (i.e. Printer, Typographer, Film Processor, etc.)								

/7

REASON FOR AWARD/JUSTIFICATION OF PRICE ____________________

____________________ BUYER

____________________ DATE

Memo For File

Subj: Sub-Contracting Plan for Contract N00600-82-C-0001
Ted Bates

Encl: (1) Subject Plan dated 16 Sep 81

Ref: (a) DAR 7-104.14(b)

1) Enclosure (1), is determined to be acceptable in accordance with reference (a) and is hereby approved.

MARY ANN GROOMS 9/28/81
CONTRACTING OFFICER Review

BL ksa 9/29/81

John W. Kaufman
J. W. Kaufman
Contracting Officer

Ted Bates new york/advertising
1515 Broadway • New York, New York 10036, U.S.A.
Phone 212 869-3131 • Cable: Batesword, New York

September 15, 1981

Mrs. Kenita Armellino
Naval Regional Contracting Office
Washington Navy Yard
Washington, D. C. 20374

RE: RFP No. N00600-81-R-6730

Dear Mrs. Armellino:

Enclosed is our revised Subcontracting Plan for the Utilization of Small and Disadvantaged Business Concerns as requested in your letter of 11 September 1981.

In reference to Section A of your letter, as we discussed in our telephone conversation of 14 September 1981, we have made no changes to our Procurement Manual. I understand that this manual, as is, is satisfactory.

We have, however, rewritten our Subcontracting Plan in accordance with Section B of your letter. Points B-1 through B-6 are covered in Section I of the enclosed Plan and Points A through E are covered in Section II.

I hope that this information is satisfactory and adequately fulfills all reguirements of DAR 7-104.14 (B).

If you have any further questions, please call.

Sincerely,

Albert J. DiOrio

cc: Mr. John Castallane, DCASMA
Mr. Louis Martinaitis, Bates

The following is the NRCC Washington SADBU comment on the final subcontracting plan:

9/18/81 Recommend acceptance.

[illegible] - 03

Attachment (2)

ADELAIDE AMSTERDAM BANGKOK BEVERLY HILLS BRISBANE BRUSSELS COPENHAGEN FRANKFURT GÖTEBORG HÄLSINGBORG HONG KONG
KUALA LUMPUR LONDON MADRID MELBOURNE MILAN MONTREAL NAHA OSAKA OSLO PARIS SINGAPORE STOCKHOLM SYDNEY TOKYO TORONTO
TELEX 012296

U. S. SMALL BUSINESS ADMINISTRATION
26 FEDERAL PLAZA - RM 29-118
NEW YORK, NEW YORK 10278

OFFICE OF THE REGIONAL ADMINISTRATOR

March 2, 1984

Ms. Joanese Lewis, ACO
Navy Regional Contracting Office
Washington Naval Yard
Washington, D.C. 20374

Subject: Notification of Subontracting Plan Review Findings
Ted Bates Advertising/New York
New York, New York

Dear Ms. Lewis:

A review, pursuant to Section 8(d)(2) and (3) and (10(c) of the Small Business Act, as amended, was conducted on February 22, 1984 at the subject-named contractor's facility. The review conducted by Mr. Jerome Berman, SBA Subcontracting Specialist evaluated the contractor's performance relative to contractual requirements contained in the subcontracting plan applicable to contract #N00600-82-C-0001.

The contractor's performance was determined to be in interim compliance with the contractual requirements contained in the approved subcontracting plan. Those requirements encompassed all of those activities designed to provide small and small disadvantaged business concerns with maximum practicable opportunities to participate in the performance of the contract identified above, to the fullest extend consistent with efficient contract performance and to provide those concerns with equitable opportunities to compete for subcontracts.

The efforts of the subject-named contractor to subcontract with small and small disadvantaged business concerns, and the cooperation extended to Mr. Berman in the conduct of this review is noted with appreciation.

Sincerely,

James E. Ferriere for
John Axiotakis
Asst. Regional Administrator
for Procurement & Technical Assistance

JB/ab

TESTIMONY OF BRIG. GEN. BERNARD L. WEISS, DIRECTOR OF CONTRACTING AND MANUFACTURING POLICY, HEADQUARTERS, DEPARTMENT OF THE AIR FORCE

General WEISS. Mr. Chairman and members of the committee.

I am Brig. Gen. Bernard Weiss, and I am Director of Contracting and Manufacturing Policy on the Headquarters Air Staff, sir.

I appreciate the opportunity to appear before you regarding the implementation of Public Law 95-507.

My statement, sir, includes the nine items of data that you requested, and I will not repeat those, but they are part of my testimony.

I am very proud of the achievements of the Air Force, in the past number of years, with regard to small business, and small disadvantaged business contracting. I also know that we have a long way to go and we must improve.

I would like to just go through some of the things that we have done that I feel are pointing in the right direction.

If you go back to the amount of small business and small disadvantaged business subcontracting at the time that Public Law 95-507 was passed, and look at the base at that point to what we achieved in fiscal year 1983, we have increased our small business subcontracting by $1 billion for a 75-percent increase.

If you look at the awards to small disadvantaged business firms on a subcontract basis, those awards have nearly doubled, about 99 percent increase, and we have gone up by $96 million.

In addition, the Air Force has developed a checklist to help our contracting officers review and accept the subcontractors' plans. We have also motivated contractors to develop innovative approaches on enhancing small and disadvantaged small business subcontracting. There are incentive awards in some of our contractors facilities to some of their people who develop and increase these kinds of subcontracting awards to their employees. There are also in selected places prime contractors who are using small business set-asides in their subcontracting plans.

There are other firms who have entered into an extensive advertising program to bring in small and disadvantaged business subcontractors to get them aware of their product lines and their opportunities for them in these prime contractors business.

On August 31, 1983, Mr. Orr, the Secretary of the Air Force, issued a letter to our 30 major contractors that we are responsible for in terms of contract administration. In this letter, he had a list of efforts that were accomplished by all of the various contractors as examples of how each individual company can improve their small and small business disadvantaged effort.

We published a pamphlet, 70-30, in January 1983, which has been given out. Approximately 50,000 copies have been given out, which deals with selling to Air Force prime contractors.

Our effort is to inform, and educate all small and small disadvantaged businesses on how to do business with prime and particularly Air Force prime contractors. During the past year, we have approximately 20 prime contracts that contain incentive provisions that will reward prime contractors for their efforts to increase small and small disadvantaged subcontracting.

Within the last month, the electronic systems division, up in Hanscom Field in Boston, awarded three such prime contracts which contain these incentive provisions.

We are in process of revising right now the standards for 1,102 contract specialists, and I will be sending out a letter shortly asking, where appropriate, that these standards and the positions descriptions for these contracting people recognize the responsibility and the role that Air Force contracting officers have in the small business and the small business disadvantaged programs.

Now, I, like Admiral Sansone, feel that certain aspects of Public Law 95-507, sir, which does cause us problems, the generation of what is unnecessary paperwork and recordkeeping.

I would like to propose that we use a systems approach to attacking the issue of how we increase small business and the small business disadvantaged programs, and what I would like to do is to see the establishment of goals by a contractor at a given location or division, rather than on an individual contract by contract basis.

I would add one thing, that where we have a major program, a program of national significance or major significance of $100 or $200 million, that on a program like that, we continue to provide for a subcontracting plan, as we now do. But for other programs, of lesser significance, that the contractor be bound for a plan for that given location or division.

This would give us greater leverage in dealing with the chief executive officers, with the presidents of these particular companies.

It is very difficult to talk on a program by program, or a contract by contract basis. There are many subcontracting opportunities that are achieved below the goal of $500,000 that is currently set forth in the law.

There are also efforts in overhead, which are susceptible to small and small disadvantaged subcontracting. We believe that by using a systems approach, which looks at a total plant or a product organization, or a division of a company as well as targeting major weapons systems programs for a given plan, we could get much more out of our resources and much more from American industry in being responsive to the intent of Public Law 95-507.

Overall, Public Law 95-507 has stimulated greater interest in subcontracting and small business subcontracting within the Air Force.

I really believe that when you take Public Law 95-507 and you couple it with Public Law 97-219, the Small Business Innovation Development Act, we have the basis for the right kind of laws and programs to foster small and small disadvantaged business programs.

Much of the business in the U.S. Air Force is high technology, and that is the area of growth that we would like to see the small and small disadvantaged businessmen move into.

And we really believe that our progress in Public Law 97-219 will, in turn, catalyze the efforts under Public Law 95-507 by providing greater opportunities in the high tech area for these small businesses to participate.

So, this concludes my statement, and I will be available to answer any questions that you may have.

[General Weiss' prepared statement with attachments follows:]

PREPARED STATEMENT OF BRIGADIER GENERAL BERNARD L. WEISS, DIRECTOR OF CONTRACTING AND MANUFACTURING POLICY, HEADQUARTERS, DEPARTMENT OF THE AIR FORCE

I am Brigadier General Bernard L. Weiss, Director of Contracting and Manufacturing Policy for the Deputy Chief of Staff for Research, Development and Acquisition on the Air Staff. As such, I am responsible for policy formation, and its dissemination. I have spent 25 years of my career in the Air Force in contracting and manufacturing. I have served in all aspects of this business from buyer to contracting officer, plant office chief to Chief of Contracting at Aeronautical Systems Division at Wright Patterson AFB, Ohio.

I appreciate the opportunity to appear before the Committee and testify on Air Force implementation of the subcontracting provisions of Public Law 95-507. You had asked that my statement include nine items of information. Since that information is primarily statistical data, I do not plan to repeat it but have included it as part of my written statement.

Today, prime contractors under Air Force plant cognizance are awarding small businesses a billion dollars more a year in subcontracts than they were prior to the implementation of P.L. 95-507. This is a fifty percent increase in the dollars going to small business firms. Our primes have also increased subcontract awards to disadvantaged businesses by almost fifty million dollars a year. Since we are only talking about thirty Air Force prime contractors, similar accomplishments by the rest of DOD's major prime contractors represent a substantive investment in the nation's small businesses.

We in the Air Force, however, like to believe that we set the pace for others to follow. Early in the law's implementation stage, the Air Force developed and distributed to its contracting offices, a checklist to help ensure acceptance of subcontracting plans which met both the letter and intent of the law. This initial checklist served as a model for later adaptations used throughout the DOD. Another initiative for which we can take credit is adoption of the concept of master plans. Long before OFPP announced the concept, the Air Force in conjunction with industry had refined a master plan requirement. Recognizing the need to implement subcontracting business planning functions cost effectively, we found that we could reduce the unnecessary paperwork burden without jeopardizing any benefits that should accrue to small businesses. My office pressed successfully for early adoption of our master plan concept DOD-wide. As a result, our contractors now can negotiate five of the six elements required for a plan once a year with one Contracting Officer rather than hundreds of times a year with as many different Contracting Officers. We believe this makes a lot more sense and has established a consistency of approach amongst contracting officers.

Our recent efforts have been aimed at stimulating the prime contractors to institute new and more innovative techniques to involve small and disadvantaged firms. During FY 1983, the Air Force Director of Small and Disadvantaged Business Utilization met with each of our contractors to identify new and innovative approaches that are generating requirements for additional small and disadvantaged business subcontract awards. We found a variety of techniques such as incentive awards programs for employees, small business set-aside procedures, and advertising campaigns which are reaping noteable dividends in program performance. As a result, we formalized a list of key elements and innovative techniques for a successful small business subcontracting programs. Secretary Orr has provided the list to our prime contractors' chief executive officers. We are very pleased with what we are finding in subsequent visits to these primes.

We believe that the subcontracting provisions of P.L. 95-507 have made a significant contribution to the dollars we see going today to small businesses. We must attribute this partially to the fact that these provisions highlighted subcontracting potential not only to our prime contractors but more importantly to the small and disadvantaged business community. It reminded our primes that we are serious about flowing the federal contract dollar to small businesses and it gave small firms an assurance that we would support their efforts to seek out these contract dollars.

However, we must admit that some of the provisions of the law, if applied literally, will cause us difficulties. These are the provisions which we have questioned from the outset. Industry has had similar concerns. Goals and records on a contract by contract basis continue to trouble us. As you know, the law requires that goals be set before award of a contract. In reality, many of the make or buy or subcontracting decisions are made after contract award. In a major weapon system award, critical subcontract decisions are often years downstream from award of the prime contract. Even in our spare part buys, individual contract goals often are a reflection of the prime contractor's purchasing history. Contractors issue subcontracts for their own inventory rather than for any particular contract. Another example of the problem with individual contract goals involves the use of cost type contracts. Due to the inherent uncertainties and program risks involved in such a contract, the nature and extent of work eventually required are not sufficiently known to meaningfully negotiate subcontracting goals. As a final example, some of the data we were asked to provide the Committee staff included the subcontracting plan for the F-16. There have been over 400 modifications to that contract, many of which exceeded $500,000, and span many years. Establishing and monitoring subcontracting goals under these circumstances become a very complicated endeavor.

We have suggested in the past and still believe today that the benefits sought by P.L. 95-507 can be achieved more economically and efficiently by establishing annual goals and maintaining records on a plant or division basis rather than on an individual contract basis. We recommend that you consider changes in the law which permit its provisions to be applied on a plant or division, rather than individual contract, basis and that procedures such as those for Equal Opportunity preaward clearance reviews be utilized. If a contractor is in noncompliance, he would be ineligible for award unless the Secretary of Defense determines that award is essential to the best interests of the Government.

The Committee requested that we address all actions taken by the Air Force in response to the recommendations on subcontracting in House Report 97-956. The first recommendation deals with new quarterly reporting requirements. Within the Air Force we already compile, on a quarterly basis, data on the number of contracts which contain plans, the dollar value of subcontracts awarded under those contracts, the dollar value and percent of subcontracts awarded to small business and to small disadvantaged business. We also know the number of contracts completed each quarter which contained subcontracting plans and whether goals were met. This data could be provided to the Committee on a quarterly basis.

However, we believe that increasing the current reporting requirement to accommodate the additional data recommended, such as number and dollar value of contracts awarded which do not contain plans, would be unnecessarily costly, burdensome and would not result in award of additional small business subcontracts. We need to use our scare resources to work the subcontracting program rather than prepare reports. The second recommendation is for us to provide SBA with adequate and timely information with respect to the award of contracts covered by Section 211. This is already done. Upon award of such contracts, information is distributed to the SBA region and a copy of the subcontracting plan is provided the SBA resident Procurement Center Representative. OFPP endorsed our Defense Acquisition Regulation (DAR) notification procedures in January 1980. The third recommendation concerns debarment proceedings against any contractor who is determined to have violated more than one plan. We don't believe that we have any contractors in this category. The DAR provides procedures for the debarment of a contractor for willful failure to perform in accordance with the terms of one or more contracts. However, the Air Force is in the business of awarding contracts to obtain the goods and services we need and ensuring that those contracts are performend satisfactorily. We have not found any contractors to be in willful violation of their subcontracting plans. When a deficiency has been noted, we have worked with the contractor to correct the deficiency and ensure that the contractor makes a good faith effort in his subcontracting program. If, of course, a contractor willfully refuses to comply with Section 211 of P.L. 95-507, debarment is one of the numerous remedies we would consider. The fourth recommendation concerns personnel performance standards. To the extent that the duties and responsibilities of our personnel are primarily directed at our small and disadvantaged business programs, their successful performance of those duties are accorded critical designators. However, PCO and ACO duties are described in terms of their major functional responsibility which covers the overall acquisition process. Their duties include responsibility for insuring compliance with over 4,000 statutory requirements covering issues related to labor, EEO, environment, economics, and costs. Under our performance appraisal system, we have not to date singled out enforcement of the subcontracting program as a separate standard. However, within the next six months, all of the position descriptions of our contracting workforce will undergo revision to accommodate the recently issued GS-1102 standards. In conjunction with this effort, we plan to issue a policy letter emphasizing the need to appropriately recognize the small business program, including subcontracting, responsibilities.

In conclusion, I hope our commitment to the small and disadvantaged business programs is obvious and I hope that our support of the subcontracting program will become increasingly visible. The actions we have undertaken as a result of P.L. 95-507 and the more recent Small Business Innovative Development Act will continue to strengthen the small business role in defense acquisitions. We believe that the high technology efforts we now are sponsoring under the SBIR program will add a new dimension to small business subcontracting opportunities of the future. You can be assured of our continuing efforts on behalf of this vital sector of defense industry.

This concludes my statement. I will answer any questions you may have.

ATTACHMENT I TO STATEMENT OF BERNARD L. WEISS, B/GENERAL USAF

1. Number and dollar value of contracts awarded during the last three years which contained subcontracting plans:

	FY 81	FY 82	FY 83
Number	1,612	1,761	2,020
Dollar Value	$13,724M	$16,158M	$19,645M

2. (a) Number and dollar value of contracts awarded during the last three years which did not contain subcontracting plans, but which were required by law to contain such plans. What corrective action was taken regarding these awards?

i. F33657-80-C-0373 $9,948,743

A subcontracting plan was submitted by the contractor as part of its proposal. The plan was approved but inadvertently omitted from the contract. When the oversight was discovered, it was added by supplemental agreement. The contractor had been complying with the plan from the outset of the contract.

ii. F08635-81-C-0288 $1,171,199

This contract had been identified by the Small Business Administration in their 1983 report to Congress on deficient subcontracting plans. However, the contract was a study contract with no subcontract opportunities. A memo was in the contract file explaining this exemption from the requirements for a plan.

iii. F61546-80-C-0042 $4,034,690

The Contracting Officer initially determined a plan was not required since performance was to be outside the United States. He later determined that a plan was required and modified the contract to incorporate it.

iv. F19628-80-C-0034-P0026 $2,775,000

Plan omitted by oversight. Later added by amendment.

(b) How many contracts have not been modified to include plans?
None

3. How many plans did SBA review during the last three years? What was the number found deficient and dollar value of such contracts?

The 1981 report required of the Small Business Administration (SBA) by Section 8(d)(11) of the Small Business Act indicated that SBA had conducted 5,075 pre-award reviews and 1,654 post award reviews. They found 118 deficient Air Force plans.

The 1982 report indicated that SBA conducted 5,837 pre-award reviews and 6,846 post award reviews. They found 170 deficient Air Force plans.

The 1983 report indicated that SBA conducted 6,414 pre-award reviews and 6,812 post award reviews. They found 214 deficient Air Force plans.

In 1981, SBA's report identified 266 deficient subcontracting plans - 44% were Air Force. Of the total deficiencies, excluding goals,

20% - Judgmental differences of opinion
8% - SBA's Procurement Center Representative had reviewed the plan and had no comments (SBA later objected
38% - Final plans included all required information
16% - Final plan incorporated PCR's recommendations
18% - Varying degrees of agreement with SBA

Of the deficiencies associated with goals (81 deficiencies),

14% - PCR reviewed plan and had no comments
7% - Judgmental differences of opinion
73% - PCR objected to goals but offered no goals or rationale
4% - 3 instances - PCR recommendations reflected in final plan
1 instance - SBA criticism valid

In SBA's most recent report (1983), SBA cited 214 deficient Air Force plans. Disagreement over goals accounted for deficiencies noted on 136 of the plans. As SBA acknowledged in their report, these deficiencies stem from differing interpretations between SBA and DOD as to requirements of the law. In our opinion, these are not deficiencies. Most deficiencies are actually judgmental areas where SBA and the Air Force have differing opinions.

4. Total dollar value of all subcontracts awarded during the last three years under prime contracts containing plans and the dollar value and percentage of subcontracts awarded to small and small disadvantaged businesses.

This data is collected, maintained and monitored throughout the Air Force on the basis of contract administrative cognizance rather than contract placement. Data for contractors under Air Force cognizance is as follows:

	FY 81	FY 82	FY 83
Total $ Value of Subcontracts	$9,435M	$9,895M	$11,045M
Subcontracts Awarded Small Business	2,991M	3,157M	3,464M
%	31.7	31.9	31.4
Subcontracts Awarded Disadvantaged Business	$168M	$169M	$192M
%	1.8	1.7	1.7

5. Total number and dollar value of all prime contracts awarded where the prime was found to be in non-compliance and any remedial actions taken including debarment proceedings.

The Air Force has found none of its contractors to be in deliberate noncompliance. There have been cases when a plan is considered to be deficient, however, through negotiations we have been able to resolve those deficiencies and ensure that the contractor is in compliance.

6. Describe any outreach program that the Department of the Air Force may have to assist small and small disadvantaged businesses interested in subcontracting with the Department of the Air Force's large prime contractors.

The Air Force has developed AFCMD Pamphlet 70-30 for distribution to all interested small buinsesses which lists all of the prime contractors over whom the Air Force has contract administration responsibility. This pamphlet contains the name and address of each prime contractor, a description of the defense items produced, the name and phone number of the firm's small business liaison officer and the name and phone number of the Air Force Small and Disadvantaged Business Utilization Specialist. This pamphlet is distributed at counseling sessions and procurement conferences and in response to hundreds of inquiries made to Air Force Plant Representative Offices. More importantly, the Air Force demands that its prime contractors conduct outreach programs. For example, on the B-1, the contractor published a special program brochure detailing subcontract opportunities with their major suppliers and provided points of contact. Another of our primes established a toll free 800 number for interested high technology small disadvantaged business sources. Outreach is one of the key elements upon which we annually evaluate our contractors on their subcontracting programs. As a result, our primes are most active in a host of organizations interested in small and small disadvantaged business contracting and belong to numerous groups which share information on potential sources. Some of our primes, with our encouragement, even have established their own goals for the addition of new sources, particularly small disadvantaged business firms, as a measure of their outreach efforts.

7. (a) Give the number and dollar value of prime contracts awarded where the goals recited in plans were not met.

Contracts with Small Business Goals

	FY 81	FY 82	FY 83
a. Total number contracts completed	32	113	180
b. Dollar value of subcontracts under a.	$301.8M	$239.8M	$717.9M
c. Number of completed contracts not meeting goal	5	34	41
d. Dollar value of subcontracts under c.	$57.1M	$24.3M	$230.3M

Contracts with Disadvantaged Business Goals

	FY 81	FY 82	FY 83
a. Total number contracts completed	18	78	141
b. Dollar value of subcontracts under a.	$289.8M	$199.5M	$624.5M
c. Number of completed contracts not meeting goal	9	36	31
d. Dollar value of subcontracts under c.	$59.0M	$85.8M	$165.1M

(b) What is the average goal attainment for both small and small disadvantaged businesses? (Of those which met goal)

	FY 81	FY 82	FY 83
The Average Goal Attainment Is:			
Small Business	130.5%	158.9%	152.4%
Disadvantaged Business	151.6%	138.5%	196.0%

8. What were your subcontracting program goals for the last three fiscal years: Were goals met? If not, explain.

	FY 81	FY 82	FY 83
GOAL	$2,925M	31.9%*	31.6%*
ACHIEVED	$2,991M	31.9%*	31.4%*
	(31.4%)	($3,157M)	($3,464M)

(*Goals assigned as a percentage after FY 81)

The Air Force met its subcontracting goals in FY 81 and FY 82. The Air Force did not meet its subcontracting goal for FY 83 which was 31.6%. Our actual accomplishment was 31.4%, a difference of two-tenths of one percent. The reason we missed this goal was because of a significant increase in total subcontracting. In FY 82, our primes subcontracted

$9.9 billion of which 31.9% went to small business. However, in FY 83 they subcontracted $11.0 billion. Most of this increase is attributable to increased spending in major weapons systems such as the Peacekeeper missile and the B-1B bomber for which first tier small business subcontractor sources are limited because of the size and nature of the subcontracts involved.

9. To what extent are small and small disadvantaged business program accomplishments taken into account when evaluating the performance of acquisition personnel?

The position descriptions for most acquisition personnel will undergo revision during the next year to accommodate the GS-1102 standards recently published by the Office of Personnel Management. To the extent that an individual's duties involve the small and small disadvantaged business program, this will be reflected in their performance evaluation elements.

The appraisal under the DOD Automated Career Management Systems (ACMS), which is a computer-based career management system used for the referral and selection of candidates for vacant contracting positions, requires ratings in technical factors pertaining to several areas on small business.

Biography

United States Air Force

Secretary of the Air Force, Office of Public Affairs, Washington, D.C. 20330

BRIGADIER GENERAL BERNARD L. WEISS

Brigadier General Bernard L. Weiss is director of contracting and manufacturing policy, Office of the Deputy Chief of Staff for Research, Development and Acquisition, Headquarters U.S. Air Force, Washington, D.C. He is responsible for developing contracting and manufacturing policy relating to major weapon systems acquisitions, logistics support and base support for the Air Force.

General Weiss was born in the Bronx, N.Y., and later moved to Fairlawn, N.J., where he completed high school in 1951. He graduated from New York University in 1955 with a bachelor of science degree in government and education (cum laude) and received his commission as a distinguished military graduate through the Reserve Officers' Training Corps program. General Weiss earned his master of business administration degree (with honors) from Syracuse University in 1966 through the Air Force Institute of Technology. His service schools include Squadron Officer School by correspondence; the Industrial College of the Armed Forces, Fort Lesley J. McNair, Washington, D.C., in 1974; and the Advanced Management Program, University of Michigan, Ann Arbor, in 1978.

He entered the U.S. Air Force in May 1956 and served at the New York Air Procurement District, New York City, as administrative contracting officer. In December 1958 the general transferred to the 20th Tactical Fighter Wing, Royal Air Force Station Wethersfield, England, as base procurement officer. He served there until October 1960 when he was assigned to Headquarters Air Defense Command, Ent Air Force Base, Colo., as chief of the Systems Management Division. He was responsible for the procurement and administration of operations and maintenance contracts supporting the Distant Early Warning line, Ballistic Missile Early Warning System and Spacetrack stations. General Weiss worked closely with Canadian and Danish government officials in this mission support area.

After completing his master's degree in February 1966, General Weiss was assigned to the Defense Contract Administration Services Region, Los Angeles, as manufacturing officer and plant office chief at Garrett Air Research Corporation. He was later assigned as chief of the Contract Administration Directorate for the region headquarters.

From June 1969 to July 1971, General Weiss was assigned to Air Force headquarters as a logistics plans action officer, Office of the Deputy Chief of Staff, Systems and Logistics. He then became a procurement staff officer in the Directorate of Procurement Policy. The general was responsible for contract policy formation and implementation for major weapon systems, such as the A-10 and F-15. He also led a major command group to improve the reliability and maintainability of Air Force hardware in the field.

(Current as of March 1983)

Following graduation from the Industrial College of the Armed Forces in June 1974, he transferred to the Armament Division at Eglin Air Force Base, Fla., as the deputy for contracting and manufacturing.

From July 1976 to June 1978, the general served as assistant for procurement management, Office of the Assistant Secretary of the Air Force for Research, Development and Logistics, Washington, D.C. He then moved to the Aeronautical Systems Division at Wright-Patterson Air Force Base, Ohio, as deputy for contracting and manufacturing of the largest contracting activity in the United States. While there General Weiss led a major study effort to review the quality assurances practices of countries around the world. The study called "Quality Horizons" was published in November 1979 and acted as an impetus for improving product quality in the United States.

Transferring to Air Force Systems Command headquarters at Andrews Air Force Base, Md., in February 1981, General Weiss served as deputy chief of staff for contracting and manufacturing. While there he was responsible for the acquisition of major weapon systems and contracting support for the command's laboratories, test centers and ranges. The general led major initiatives for enhancing the productivity of the aerospace industry through effective use of manufacturing technology seed money and the modernization of aerospace factory operations through the technical modernization program. He assumed his present duties in January 1983.

His military decorations and awards include the Legion of Merit with two oak leaf clusters, Meritorious Service Medal, Joint Service Commendation Medal, Air Force Commendation Medal with two oak leaf clusters and Army Commendation Medal.

He was promoted to brigadier general Oct. 1, 1981, with same date of rank.

General Weiss is married to the former Helene R. Brick of Paterson, N.J. They have three children: Steven, Michael and Melissa.

DEPARTMENT OF DEFENSE

DEPARTMENT OF THE AIR FORCE
WASHINGTON, D.C. 20330

OFFICE OF THE SECRETARY

11 MAY 1984

Honorable Parren J. Mitchell
House of Representatives
Washington, D. C. 20515

Dear Mr. Mitchell:

This is in response to your letter of April 16, 1984, to Brigadier General Bernard L. Weiss, requesting additional information in regard to subcontracting plans on 13 Air Force contracts.

The information you requested is provided in the attached fact sheet. We must note that you requested information on TRW contract F04701-81-C-0007; however, that contract was awarded to Aerojet Electrosystems, not TRW. Contract F04701-82-C-0007 was awarded to TRW. Therefore, we have provided the requested information for both contracts. Also, contract number F20601-80-C-0035 with BDM should read F29601-80-C-0035.

It is true that goals for small business are established more often than goals for small disadvantaged businesses. This is because there are fewer small disadvantaged businesses that are capable of providing the type of technical services/supplies that our prime contractors require.

We hope this information is helpful. Please contact us if we can be of further assistance.

Sincerely,

Albert L Barber

ALBERT L. BARBERO
Colonel, USAF
Chief, Program Liaison Division
Office of Legislative Liaison

Attachments

FACT SHEET

SUBCONTRACTING PLANS

A) "Zero" goals

F04701-81-C-0007, Aerojet Electrosystems

This contract consists of integration tasks including thermal, contamination and loads analyses; preparation and coordination of various interface and requirements documents; evaluation and design of changes required to assure survival of satellite in environment. Aerojet developed and designed all DSP sensors on the contract and continually searches and explores opportunities to contract with small and small disadvantaged businesses. However, none currently exists that has the capability and expertise to perform sensor support integration with Titan 34D and space transportation system. These efforts are currently performed in-house by Aerojet. The subcontract plan was reviewed by the DCAS small and disadvantaged business utilization specialist and he indicated that the zero dollar goals were proposed because there are no possibilities for small and small disadvantaged businesses.

F04701-82-C-0007-TRW

"Zero" goals were in error. Modification P0029 issued in March 1984 added small business goal of $4,200,000 and small disadvantaged business goal of $200,000.

F08635-80-C-0206-BDM

This contract was to improve the repair and reactivation procedures of bomb-damaged airfields. At the time of award the Air Force envisioned a task ordering contract for engineering services which are normally performed by the prime contractor without use of subcontractors. Without benefit of any contracting experience in rapid runway repairs, accurate projections of subcontracting requirements were not possible. During the performance of the contract some subcontracting efforts were formulated. The Air Force continued to discuss and strongly encourage subcontracting with small and small disadvantaged businesses during negotiations, program reviews and status briefings with BDM. From these efforts and BDM's own program initiatives actual subcontracting of 6 percent with small business and 2 percent with small disadvantaged business was achieved without any contractual requirements or incentives. Because of this actual experience goals for the follow-on contract have been negotiated at 16 percent for small business and 2 percent for small disadvantaged business.

F29601-80-C-0035-BDM

The zero small disadvantaged business goal is justified as there were no known small disadvantaged businesses having the specialized test and evaluation knowledge and attendant top secret/RD CNWDI clearances necessary to perform the technical requirements in this area.

F30602-81-C-0121-PRC

The subcontract goals were based on a contract value of $3,250,693. The small business goal was $1,084,497. The subcontracted effort was to develop some unique software needed and not available commercially. The total small business effort was proposed to one firm because of their special capabilities. The remaining subcontracted effort was to a large business as they were the only source of the required components that could be integrated into the system without changing the software.

F30602-82-C-0049-PRC

The subcontract goals were based on a contract value of $13,633,475. The full amount $5,056,584, of the subcontract goal was established for award to small business. This contract was a direct follow-on to contract F30602-79-C-0186 under which a PRC subcontractor team worked at the Defense Intelligence Agency. This total effort calls for the building of a very large and complex software system. Success of this effort necessitates utilizing the same team of people experienced in this development. Given the program history, and circumstances, the Contracting Officer accepted the contractor's analysis that there was no reasonable expectation of any small disadvantaged business opportunity.

F30602-82-C-0079-PRC

The subcontract goals were based on a contract value of $25,400,000. The small business subcontracting goal was set at $813,613. This contract is direct follow-on to a contract with PRC under which they relocated, to Offutt AFB, a team of people experienced in building large complex software systems. The subcontracting plan represents the team already relocated to Offutt AFB. Based upon the program history and circumstances, the Contracting Officer accepted the contractor's analysis that there was no reasonable expectation for any small disadvantaged business opportunity.

F33657-82-C-2068-P00028-Boeing

P00028 is a modification to an existing contract. It provides for the acquisition of 20 auxilliary power units (APU) for the KC-135R modification hardware packages. The basic contract had a small disadvantaged business goal. The "zero" goal applies only to P00028. The APU hardware was designed under a separate contract by a large business as a subcontractor to Boeing. APU hardware accounts for approximately two-thirds of the effort on P00028. The remaining third of the effort was screened for small disadvantaged business opportunities. However, no opportunities were found. The following sources were utilized in the screening: SBA Procurement Automated Source System (PASS), Small/Disadvantaged Trade Associations, Boeing Small/Disadvantaged Business Directory and Source lists, and source lists/directories published by the National Minority Supplier Development Council (NMSDC). The Aeronautical system's Division's SBA Procurement Center Representative reviewed the Zero goal and no opportunities were indentified.

B) Low goals

F04704-79-C-0070-GTE

This contract addressed the Multiple Protective Shelter (MPS) basing mode for the MX. A large majority of the available subcontracting dollars were committed to three of GTE's team members during the competitive stage (pre-contract award). Those team members were Nordem Systems, Hayes and Computer System Corporation, all large businesses and long-term development subcontracts were awarded to those firms by GTE. The only projected small and small disadvantaged business subcontracts were for short term, intense development, highly specialized efforts. Because of the basing mode has been in a high state of flux it was impracticable to develop accurate small disadvantaged business goals.

F19628-78-C-0093-TRW

At the time this contract was awarded (May 15, 1978) there was no requirement for establishment of subcontracting plans as presently required. Three subsequent contract modifications (P00026, P00053 and P00065) were all for efforts similar to those in the basic contract. The effort on P00026 was labor intensive and highly complex, requiring extensive TRW "in-house" engineering expertise. Therefore, it was determined that there were minimal small disadvantaged business subcontracting opportunities. RCA was the subcontractor selected by TRW to perform the basic contract operation, maintenance, and support under the basic contract and as revised by P00053. This effort required extensive "in-house" RCA expertise. Therefore, it was determined that there were minimal small disadvantaged business subcontracting opportunities. The effort on P00065 involved the acquisition of a fifth GEODDS site and required "standardization and commonality" with the other four sites. Significant changes in subcontractors could have jeopardized this requirement. Therefore, it was determined that small disadvantaged business subcontracting opportunities were minimal.

F04701-81-C-0014-TRW

This contract is for design of DSP satellite and hardware is not involved. Since this is a paper design with computer and mathematical analyses, few subcontracting opportunities existed. The original goals were $205,810 for small business and $1,985 for small disadvantaged business. Due to the Air Force's and contractor's deligence those goals were raised in March 1984 by P00068 to $1,500,000 and $250,000 respectively.

F65517-82-C-0001-RCA

This contract is for Operations and Maintenance service at 13 remote Alaskan Long Range Radar stations. The type of services to be provided require a high level of expertise and are not the type which are likely to be subcontracted, (for example: Radar and medical technicians). Subcontracting opportunities exist in only two limited areas of contract. These are under the emergency local purchase (ELP) line item authority and possibly in performance of severable work projects. Due to the high cost of mobilizing a work force and deploying that work force to remote locations, even the severable work projects are normally accomplished with on-station labor during overtime. Therefore, opportunities for small disadvantaged business subcontracting is extremely limited.

F33657-79-C-0779 - McDonnell-Douglas

Because of the technical expertise and volume production capabilities required in producing the F-15 aircraft, small disadvantaged business opportunities are limited. Certain components, such as flight control actuators and landing gear assemblies are available only from large business. Small disadvantaged business subcontracting opportunities are limited to the areas of designed machine parts/assemblies, purchased parts and some raw materials. Prior to setting the goals the Contracting Officer received input from the ACO at the NAVPRO St. Louis Office, and ASD small and disadvantaged business utilization specialist.

F19628-82-C-0003 - Boeing

The general economic conditions during the period in which contract negotiations were conducted were a mitigating factor in the establishment of small disadvantaged business goals. Prior to negotiations Boeing had laid off approximately 20,000 employees and was anticipating laying off an additional 10,000. Consequently, Boeing was actually recalling subcontracts and attempting to maximize "in-house" Boeing effort. Because of this mitigating factor and because the ACO report took no exceptions to the proposed goals, the PCO determined the proposed small disadvantaged business goals were acceptable.

DEPARTMENT OF THE AIR FORCE
WASHINGTON, D.C. 20330

OFFICE OF THE SECRETARY

13 JUN 1984

Honorable Parren J. Mitchell
Chairman, Committee on Small
Business
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in reply to the House Small Business Committee's request for information in regard to Air Force recruitment advertising contracts for Fiscal Years 1980, 1981, 1982, and 1983.

We have provided a list of those Air Force advertising contracts in the attached fact sheet.

Additionally, we have also attached copies of the subcontracting plans for those contracts which required them.

We hope this information is helpful. Please contact us if we can be of further assistance.

Sincerely,

ALBERT L. BARBERO
Colonel, USAF
Chief, Program Liaison Division
Office of Legislative Liaison

Attachments

FACT SHEET
ON
AIR FORCE RERUITMENT ADVERTISING CONTRACTS

A) The 3303rd Contracting Squadron at Randolph AFB, Texas, awarded the following contracts for Air Force recruitment advertising:

FY80 - Contract No: F41689-79-D-0057
Firm: D'Arcy-MacManus & Masius, Inc.
New York, New York

FY81 - Contract No: F41689-80-D-0060
Firm: D'Arcy-MacManus & Masius/De Garmo, Inc.

FY82 - Contract No: 41689-81-D-0035
Firm: D'Arcy-MacManus & Masius, Inc.

FY83 - Contract No: F41689-82-D-0051
Firm: D'Arcy-MacManus & Masius, Inc.

Copies of the subcontracting plans for these four contracts are attached

B) The Warner Robins Air Logistics Center (WR-ALC) at Robins AFB, Georgia awarded the following contracts for Air Force Reserves recruitment advertising: (Since some of these contracts overlapped fiscal years; they are listed by performance period)

01 May 1980 - 30 Sep 1981 - Contract No: F09650-80-D-0010
Firm: Rodgers & Cauthern, Inc.
Columbia, S.C.

08 Oct 1980 - 30 Sep 1982 - Contract No: F09650-81-D-0004
Firm: Hameroff/Milenthal,
Columbus, Ohio

01 Oct 1981 - 31 Dec 1982 - Contract No: F09650-81-D-0022
Firm: Rodgers & Cauthern, Inc.

01 Jan 1983 - 30 Sep 1983 - Contract No: F09650-83-D-0002
Firm: Rodgers & Cauthern, Inc.

01 Oct 1982 - 03 Sep 1984 - Contract No: F09650-82-D-0005
Firm: Hameroff/Milenthal, Inc.

Since both Rodgers & Cauthern, Inc. and Hameroff/Milenthal, Inc., are small business concerns, subcontracing plans were not required.

D'Arcy-MacManus & Masius
D'Arcy-MacManus & Masius/de Garmo, Inc.

July 14, 1980

Mr. Don Norville
Contracting Officer
3303rd Contracting Squadron /LGCTM
Randolph Air Force Base
Texas 78148

Subject: Contract F41689-79-D-0057
DMM/deGarmo Sub-Contracting Plan
LGCTM Letter 30 June '80

Dear Mr. Norville:

This is in response to your letter of 30 June re: necessary revisions in our proposed sub-contracting plan submitted 2 April '80.

1. Establishing Specific SB/SDB Goals

At this point, 92.6% of the FY-80 contract subject to SB/SDB percentage allocations has already been funded or is earmarked to be funded.

Analysis of the applicable sub-contract areas reveal the following expenditures and our best estimates of Small Business and Small Disadvantaged Business utilization.

	Media Purchase		Production			DMM	
	Space	Broadcast	Space	Broadcast	Research	Indirect Costs	Total
$ Allocation	2,165,618	1,483,155	999,440	376,173	76,532	213,125	$5,314,043
Small Business Allocations	38,879	113,873	311,750	364,173	[illegible]	21,313	$ 849,988 ~~926,520~~
S.B. - %	-	-	-	-	-	-	~~17.44%~~ 16.00%
Small Disadvantaged Business $ Allocations	-0-	[illegible]	-0-	1,500	-0-	2,131	3,631 [illegible]
SDB - %	-	-	-	-	-	-	[illegible] [illegible]

changes per [illegible] 80 telecon w/ Jim Bridges — D Norvill,

D'Arcy-MacManus & Masius, Inc., 437 Madison Avenue, New York, New York 10022 (212) 754-2300
[illegible] Cape Town Chicago [illegible] Melbourne Mexico [illegible] Miami Milan [illegible] Sydney Toronto Vienna Wellington Zurich

Atch 2

You will note that we have included in the above chart DMM/Indirect costs applicable to this contract based upon the original budget established in October '79. We estimate that at present, approximately 10% of this is applicable to SB and approximately 1% to SDB.

As indicated, this represents our best estimate of SB/SDB utilization for FY-1980 as it now stands. Should the remaining 7.4% of our contract applicable amount be funded, ($407,841.00) our goals would be:

a) Small Business - 20%

b) Small Disadvantaged Business - 3%

As stated in our sub-contracting plan document, the maximum practicable opportunity for SB/SDB to participate in the performance of the contract is limited by program budget configuration, RSA and JADOR management control, availability of qualified suppliers and definition pursuant to section 3 of the Small Business Act.

For example:

a) The fact that utilization of Ebony and Jet magazines is disallowed on the basis that they are not small business severly reduces the percentage allocation to small disadvantage business from 3.94% to 2.76%.

b) The broadcast time purchase allocation in the amount of $142,800 is really a second tier sub-contract via National Black Network. The decision to purchase via NBN constitutes a more cost efficient way of purchasing for the Air Force than if we were to negotiate directly with each of the ninety stations.

c) As indicated in your 30 June letter, the establishment of meaningful goals and their implementation can be achieved through the joint efforts of RSA and DMM. We agree, however, we feel that in view of the level of management control exerted by the Air Force in the implementation of our contract, SB/SDB goals for FY-81 and beyond should be established by the Air Force rather than by DMM.

The percentages outlined herein does give us a starting point for establishing meaningful goals.

Sincerely yours,

James Bridges
Vice President-Business Manager

JB:em

cc: Mr. Allen - RSAM
F. Filtsch
J. Flynn
F. Harvey
A. Hyman
B. Rosenthal

D'Arcy-MacManus & Masius

New York

July 15, 1981

Miss Susan Pauley
Contracting Officer
3303rd Contracting Squadron
LGCTM
Randolph Air Force Base
Texas 78148

SUBJECT: CONTRACT F41689-80-D-0060
DAR 7-104, 14b SUBCONTRACTING PLAN/SB-SDB

Dear Miss Pauley:

Pursuant to the provisions outlined in DAR 7-104, 14b entitled "Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns" and the basic plan outlined in our letters of 2 April 1980 and 14 July 1980, DM&M submits the following specific SB/SDB goals for the above subject contract covering FY-1981.

It should be noted that maximum practicable opportunity for SB/SDB to participate in the performance of this contract is limited by program budget configuration, RSA management control, the availability of qualified suppliers and definitions pursuant to section 3 of the Small Business Act.

Further, DM&M's power is limited to its authority to recommend and that any decision to purchase or not purchase publication/outdoor space, broadcast time and production materials/services must be authorized by the USAF Recruiting Service.

Analysis of the applicable sub-contract areas reveal the following expenditures and our best estimates of Small Business and Small Disadvantaged Business utilization.

Continued.....

D'Arcy-MacManus & Masius, Inc., 360 Madison Avenue, New York, New York 10017 (212) 850-7300
Adelaide, Amsterdam, Athens, Atlanta, Auckland, Bloomfield Hills (Detroit), Brisbane, Brussels, Cape Town, Chicago, Copenhagen, Frankfurt, Hamburg, Helsinki, Hong Kong, Johannesburg, London, Los Angeles, Melbourne, Mexico City, Miami, Milan, Minneapolis/St. Paul, New York, Oslo, Paris, Perth, Pretoria, St. Louis, San Francisco, Stockholm, Sydney, Toronto, Vienna, Wellington, Zurich

	Media Purchase		Production			DM&M	
	Space	Broadcast	Space	Broadcast	Collateral	Indirect Costs	Total
$ Allocations	1,737,000	1,506,000	478,000	576,000	44,000	410,000	4,751,000
Small Business Allocations	12,000	60,000	150,000	300,000	16,000	32,000	570,000
Small Business %	-	-	-	-	-	-	12.0%
SDB Allocation	650	1,500	-	25,000	-	8,000	35,150
SDB %	-	-	-	-	-	-	.74%

Based upon the above our most optimistic SB/SDB goals for FY-1981 are:

a) Small Business - 15%

b) Small Disadvantaged Business - 1%

Sincerely yours,

James Bridges
Business Manager

JB:em

cc: R. Allen
A. Farner
F. Filtsch
J. Flynn
F. Harvey
R. Rochefort

EXHIBIT - "A"

SECTION L, PARAGRAPH 31
SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS

Pursuant to the provisions outlined in DAR 7-104,14b entitled "Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns" DMM submits the following subcontracting plan.

I. Categories of Services/Materials Supplied

Section L, Paragraph 34a of this solicitation number F41689-81-R-0027 estimates that contract requirements will result in the following proportions.

Item	Percent	Gross Amount	Net Amount Less Fee/ Agency Costs/ T/E - Est.	Prod. Cost	Net Media Est.
Publications/ Outdoor	53	3,869,000	3,427,000	700,000	$2,727,000
Paid/PSA Radio	38	2,774,000	2,464,000	90,000	2,374,000
Paid/PSA TV/Films	7	511,000	435,000	435,000	-
Printed Materials Rec. Aids/Displays Other	2	146,000	130,000	130,000	-
TOTALS	100%	7,300,000	6,456,000	1,355,000	5,101,000

Note:
1) Of the total contract amount, approximately 92.7%($6.766MM) will be subject to SB/SDB percentage allocations. (Includes: The net amount plus $310,000 DMM Indirect Costs).
2) We estimate that approximately 20% or (1.355MM) will be for Ad Production, Broadcast Production and Collateral Production.
3) Approximately 75% ($5,101MM) is available for net media purchase of space and broadcast time.
4) The remaining 5% ($310,000) represents DMM Indirect Costs.

II. Specific SB/SDB Goals

The preceding table represents the total planned subcontracting dollars we estimate to be available for the utilization of small business and small disadvantaged business concerns. In order to realistically allocate percentage goals, it is important for all concerned to be aware of the incidence of small business and most particularly, small disadvantaged business as it relates to our industry in general and our contract in particular.

Sub-paragraph (b) of DAR 7-104.14 (a) states:

> "The contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract".

The efficient performance of this contract is key to attaining manpower goals as determined and managed by U.S. Air Force Recruiting Service (ATC).

Maximum practicable opportunity for SB/SDB to participate in the performance of this contract is limited by program budget configuration, RSA management control, the availability of qualified suppliers and definitions pursuant to section 3 of the Small Business Act.

Further, it should be noted that DMM's power is limited to its authority to recommend and that any decision to purchase or not purchase publication/outdoor space, broadcast time and production materials/services must be authorized by the USAF Recruiting Service.

Analysis of the applicable sub-contract areas reveal the following expenditures and our best estimates of Small Business and Small Disadvantaged Business utilization.

	Media Purchase		Production			DMM	
	Space	Broadcast	Space	Broadcast	Collateral	Indirect Costs	Total
$ Allocation	2,727,000	2,374,000	700,000	525,000	130,000	310,000	6,766,00
Small Business Allocations	80,000	350,000	245,000	525,000	130,000	25,000	1,355,00
SB - %	-	-	-	-	-	-	20.03
Small Dis-Advantaged Business Allocations	136,000	125,000	3,500	26,000	1,300	6,200	298,00
SDB - %	-	-	-	-	-	-	4.40

III. Administration of Sub-Contracting Plan

In the administration of the sub-contracting plan, D'Arcy-MacManus & Masius Inc. has assigned James O. Bridges, Vice President Business Manager as Project Officer to manage the program.

His duties will include:

1. Liaison with the Contracting Officer, LGCTM and the Project Monitor-RSAM.
2. Liaison with all DMM department heads or other assigned individuals responsible for administering the plan.
3. Develop written procedures and instructions to applicable departments, including Media, Corporate Broadcast, Art, R/TV Production, Print Production, Research and Office Management.
4. Hold quarterly progress meetings with DMM management. This will be done specifically with Mr. Frederick P. Harvey, Senior Vice President, Management Supervisor and member of the Executive Management Committee of the Agency. Also DD Form 1140-1 will be submitted on a quarterly basis.
5. Train and motivate agency personnel regarding the support of small and small disadvantaged business firms.
6. Establish a central file which will include source lists of SB/SDB concerns and records of the departmental efforts to identify and award sub-contracts to such small business firms.
7. Arrange to provide SB/SDB firms with the necessary information for soliciting, submission of bids, specifications and delivery schedules.
8. Cooperate with, counsel and discuss sub-contracting opportunities with representatives of SB/SDB firms as are referred by the Small and Small Disadvantaged Business Utilization Specialist responsible for monitoring performance under this program and representatives of the SBA.

IV. Implementation of the Sub-Contracting Plan

Following is an outline of the steps to be taken to implement our SB/SDB concern sub-contracting program.

1. DMM management will issue periodic advisory memoranda to all departments stressing the importance of the program and enlisting the aid and cooperation of department managers.
2. Letters will be sent to present suppliers to identify those who qualify as SB/SDB.

3. We will request lists of SDB suppliers, in the relevant fields covered by this contract, from organizations and associations including but not limited to the following:

   National Minority Purchasing Council
   Federal Procurement Policy Office
   Federal Register
   N. Y./N. J. Minority Purchasing Council
   Minority Business Information Institute

4. We will write letters of invitation to relevant firms within a 150 mile radius (this geographic limitation is prescribed primarily for potential Print Production sub-contractors where quick reaction/same day service is a requirement in our industry) to present in writing their qualifications to become a DMM supplier on Air Force related projects authorized by delivery order.

5. We will diligently screen and organize a SDB sub-contractor file based on these presentations.

6. Upon receipt of an RFP we will invite qualified firms from this file to make a personal presentation of their firms' capabilities to perform the work required.

7. Upon our satisfaction as to capabilities, we will invite qualified SDB suppliers to submit bids on a competitive bid basis.

8. We will annotate all applicable purchase orders to all sub-contractors who will utilize further sub-contracting in the execution of our orders with instructions requiring them to adopt a plan in consonance with the clause entitled "Utilization of Small Business and Small Disadvantaged Business Concerns".

The foregoing represents our best efforts to develop a sub-contracting plan consistent with the provisions outlined in DAR-7-104.14 (a) and 7-104.14 (b), the goals and requirements of the U. S. Air Force Recruiting Service (ATC), and the incidence of SB/SDB available to our industry for maximum efficient performance of this contract.

APPENDIX

EXHIBIT - "A"

SECTION L, PARAGRAPH 31
SUBCONTRACTING PLAN FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS

Pursuant to the provisions outlined in DAR 7-104, 14b entitled "Subcontracting Plan for Small Business and Small Disadvantaged Business Concerns" DMM submits the following subcontracting plan.

I. Categories of Services/Materials Supplied

Section L, Paragraph 34a of this solicitation number F41689-82-R-0033 estimates that contract requirements will result in the following proportions.

Item	Percent	Gross Amount	Net Amount Less Fee/ Agency Costs/ T/E - Est.	Prod. Cost	Net Media Estimate
Publications/ Outdoor	84	4,026,960	3,453,908	315,537	3,138,371
Paid/PSA Radio	3	143,820	123,961	11,269	112,692
Paid/PSA TV/Films	11	527,340	439,029	439,029	-
Printed Materials Rec. Aids/Displays Other	2	95,880	82,641	82,641	-
TOTALS	100%	4,794,000	4,099,539	848,476	3,251,063

Note: 1) Of the total contract amount, approximately 90.8% ($4,355MM) will be subject to SB/SDB percentage allocations. (Includes: the net amount plus $255,516 DMM Indirect Costs).

2) We estimate that approximately 18% or ($848,476) will be for Ad Production, Broadcast Production and Collateral Production.

3) Approximately 68% ($3,251MM) is available for net media purchase of space and broadcast time.

4) The remaining 4.8% ($255,516) represents DMM Indirect Costs.

II. Specific SB/SDB Goals

The preceding table represents the total planned subcontracting dollars we estimate to be available for the utilization of small business and small disadvantaged business concerns. In order to realistically allocate percentage goals, it is important for all concerned to be aware of the incidence of small business and most particularly, small disadvantaged business as it relates to our industry in general and our contract in particular.

Sub-paragraph (b) of DAR 7-104.14 (a) states:

> "The contractor hereby agrees to carry out this policy in the awarding of sub-contracts fullest extent consistent with one efficient performance of this contract".

The efficient performance of this contract is key to attaining manpower goals as determined and managed by U.S. Air Force Recruiting Service (ATC).

Maximum practicable opportunity for SB/SDB to participate in the performance of this contract is limited by program budget configuration, RSA management control, the availability of qualified suppliers and definitions pursuant to section 3 of the Small Business Act.

Further, it should be noted that DMM's power is limited to its authority to recommend and that any decision to purchase or not purchase publication/outdoor space, broadcast time and production materials/services must be authorized by the USAF Recruiting Service.

Analysis of the applicable sub-contract areas reveal the following expenditures and our best estimates of Small Business and Small Disadvantaged Business utilization.

	Media Purchase		Production			DMM Indirect Costs	
	Space	Broadcast	Space	Broadcast	Collateral		Total
$ Allocation	3,138,371	112,692	315,537	450,298	82,641	255,516	4,355,055
Small Business Allocations	94,000	16,000	47,000	330,000	65,000	20,000	572,000
SB - %	-	-	-	-	-	-	13.13%
Small Dis-Advantaged Business Allocations	90,000	3,381	1,000	20,000	-0-	5,000	119,381
SDB - %	-	-	-	-	-	-	2.74%

III. Administration of Sub-Contracting Plan

In the administration of the sub-contracting plan, D'Arcy-MacManus & Masius Inc. has assigned James O. Bridges, Vice President - Business Manager as Project Officer to manage the program.

His duties will include:

1) Liaison with the Contracting Officer, LGCTM and the Project Monitor-RSAM.
2) Liaison with all DMM department heads or other assigned individuals responsible for administering the plan.
3) Develop written procedures and instructions to applicable departments, including Media, Corporate Broadcast, Art, R/TV Production, Print Production, Research and Office Management.
4) Hold quarterly progress meetings with DMM management. This will be done specifically with Mr. Frederick P. Harvey, Senior Vice President, Management Supervisor and member of the Executive Management Committee of the Agency. Also DD Form 1140-1 will be submitted on a quarterly basis.
5) Train and motivate agency personnel regarding the support of small and small disadvantaged business firms.
6) Establish a central file which will include source lists of SB/SDB concerns and records of the departmental efforts to identify and award sub-contracts to such small business firms.
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The foregoing represents our best efforts to develop a sub-contracting plan consistent with the provisions outlined in DAR-7-104.14 (a) and 7-104.14 (b), the goals and requirements of the U.S. Air Force Recruiting Service (ATC), and the incidence of SB/SDB available to our industry for maximum efficient performance of this contract.

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Mr. Mitchell. Thank you very much, General.

TESTIMONY OF VICE ADM. EUGENE A. GRINSTEAD, DIRECTOR, DEFENSE LOGISTICS AGENCY, DEPARTMENT OF THE NAVY, ACCOMPANIED BY RAY DELLAS, DIRECTOR, SMALL AND DISADVANTAGED BUSINESS DIRECTORATE

Admiral Grinstead. Mr. Chairman.

I am Vice Admiral Grinstead, the Director of the Defense Logistics Agency. I have with me Ray Dellas, who is the Director of the Small and Disadvantaged Business Directorate within DLA. He is sitting over here on the end, first row.

I would like your permission to enter the statement which I have previously submitted.

Mr. Mitchell. Without objection, the entire statement will be submitted for the record.

[Admiral Grinstead's prepared statement with attachments follows:]

Prepared Statement of Vice Admiral Eugene A. Grinstead, Director, Defense Logistics Agency, Department of the Navy

MR. CHAIRMAN, I AM VICE ADMIRAL GRINSTEAD, DIRECTOR OF THE DEFENSE LOGISTICS AGENCY (DLA). I AM ACCOMPANIED BY MR. RAY DELLAS, DLA STAFF DIRECTOR, SMALL AND DISADVANTAGED BUSINESS UTILIZATION. I AM PLEASED TO APPEAR THIS MORNING BEFORE THE SUBCOMMITTEE ON SBA AND SBIC AUTHORITY, MINORITY ENTERPRISE AND GENERAL SMALL BUSINESS PROBLEMS TO DISCUSS THE EXPERIENCE OF THE DEFENSE LOGISTICS AGENCY IN IMPLEMENTING THE SUBCONTRACTING PROGRAM ESTABLISHED UNDER SECTION 211 OF PUBLIC LAW 95-507.

BEFORE I TAKE UP THE SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAM, I WOULD LIKE TO PROVIDE A BRIEF OVERVIEW OF DLA AND ITS MISSION. THE AGENCY WAS CHARTERED IN 1961 TO PROVIDE WORLDWIDE SUPPLY AND LOGISTICS SUPPORT OF COMMERCIALLY AVAILABLE ITEMS TO THE MILITARY SERVICES. DURING OUR 23 YEARS OF PARTNERSHIP WITH THE SERVICES, DLA'S RESPONSIBILITIES IN SUPPORTING THE DOD COMMUNITY HAS GROWN BOTH QUANTITATIVELY AND QUALITATIVELY AND EXPANDED TO SUPPORT DEPARTMENTS AND AGENCIES OUTSIDE THE DOD AS WELL. CURRENTLY, WE EMPLOY NEARLY 50,000 PEOPLE TO OPERATE SIX DEFENSE SUPPLY CENTERS, SIX CONSOLIDATED STORAGE ACTIVITIES, NINE CONTRACT ADMINISTRATION SERVICES REGIONS AND FIVE SERVICE CENTERS. WE HAVE A RESPONSIBILITY TO SUPPLY AND CONTRACT FOR NEARLY 2.3 MILLION DIFFERENT ITEMS OF SUPPLY WHICH EQUATES TO 57 PERCENT OF ALL NATIONAL STOCK NUMBERS. THIS IS MORE THAN TWO AND ONE HALF TIMES THE NUMBER MANAGED BY THE AIR FORCE, ALMOST FOUR TIMES THE NUMBER MANAGED BY THE NAVY, SEVEN TIMES THE NUMBER MANAGED BY THE ARMY AND 55 TIMES THE NUMBER MANAGED BY THE MARINE CORPS.

THE NINE DEFENSE CONTRACT ADMINISTRATION SERVICES REGIONS (DCASRS) FURNISH CONTRACT MANAGEMENT AND PAYMENT SERVICES, NOT ONLY TO DLA, BUT TO ALL OTHER DOD CONTRACTING ACTIVITIES, AS WELL AS OTHER GOVERNMENT AGENCIES SUCH AS NASA AND THE DEPARTMENT OF ENERGY. THE DCASRs ARE MANAGING 320,000 CONTRACTS WITH A TOTAL FACE VALUE OF APPROXIMATELY $160 BILLION. THE DCASRS PAY CONTRACTORS AT THE RATE OF OVER $41 BILLION A YEAR. IN ADDITION TO THIS OUTLAY, OUR SIX DEFENSE SUPPLY CENTERS PAY INVOICES AT AN $11 BILLION RATE ANNUALLY, FOR A COMBINED TOTAL EXCEEDING $52 BILLION. OF THIS COMBINED TOTAL, NEARLY 64 PERCENT OF THE PAYMENTS ARE AUTOMATED. OUR AVERAGE OF ON-HAND INVOICES CONSTITUTE 5.2 WORK DAYS OF WORKLOAD. BECAUSE OF OUR ABILITY TO PAY OUR BILLS ON TIME, WE ARE CONSIDERED A GOOD CUSTOMER. IN OTHER ROLES, DLA IS RESPONSIBLE FOR THE DISPOSAL OF SURPLUS DOD PERSONAL PROPERTY; WE ALSO MANAGE THE FEDERAL CATALOG SYSTEM; INDUSTRIAL PLANT EQUIPMENT OWNED BY DOD; AND THE CENTRAL REPOSITORY FOR DEFENSE SCIENTIFIC AND TECHNICAL INFORMATION. OVERALL, THE TOTAL DLA ORGANIZATION CONSISTS OF MANY SITES WORLDWIDE. THE CONSOLIDATION OF THESE MISSION ACTIVITIES IN DLA RESULTED IN AN INITIAL PAYOFF REDUCTION OF 7,700 PERSONNEL SPACES AND AN EXPENDITURE CEILING REDUCTION OF $67.5 MILLION ANNUALLY. IN ADDITION, SINCE 1974, OUR PRODUCTIVITY RATIO OF WORKLOAD TO RESOURCES HAS INCREASED BY 28 PERCENT. ALL OF THESE ACTIVITIES HAVE BEEN OPERATED SUCCESSFULLY AND ECONOMICALLY.

IN BRIEF, DLA´S WORKLOAD HAS BEEN INCREASING IN RECENT YEARS, AND THE FOLLOWING REFLECT THE DEMANDS PLACED ON THE AGENCY BY ITS MILITARY SERVICE CUSTOMERS.

— WE BUY AND SUPPLY FUELS, FOOD, UNIFORMS AND TEXTILES, MEDICAL SUPPLIES AND MORE THAN HALF THE HARDWARE ITEMS USED BY THE ARMED FORCES--ABOUT $16 BILLION IN ANNUAL PROCUREMENTS.

— WE MAKE ANNUAL STOCK FUND SALES OF NEARLY $18 BILLION FROM AN INVENTORY OF JUST OVER $11 BILLION.

— WE RECEIVE AND SHIP NEARLY 20 MILLION LINE ITEMS ANNUALLY FROM OUR DEPOTS.

— WE PROCESS OVER 30 MILLION SUPPLY REQUISITIONS ANNUALLY.

— WE ADMINISTER OVER 320,000 CONTRACTS FOR THE MILITARY SERVICES AND OUR OWN AGENCY, AS WELL AS FOR NASA AND SOME OTHER FEDERAL AGENCIES.

— WE PAY NEARLY 3.5 MILLION INVOICES A YEAR, TOTALING MORE THAN $52 BILLION ANNUALLY.

— WE MANAGE THE REUTILIZATION AND SALE OF SURPLUS PROPERTY HAVING AN ACQUISITION VALUE OF $4.4 BILLION. THIS INVOLVES THE ANNUAL RECEIPT AND SHIPMENT OF NEARLY SIX MILLION ITEMS.

TURNING TO THE IMPORTANT SUBJECT OF THE SMALL AND DISADVANTAGED BUSINESS PROGRAM, SMALL BUSINESS IS BIG BUSINESS WITHIN DLA AND OVER THE YEARS OUR SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAMS HAVE GROWN SUBSTANTIALLY. OUR WORK IN THIS AREA IS NEVER FINISHED. WE ARE WORKING CONTINUOUSLY TO INCREASE SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS PARTICIPATION IN THE MULTI-BILLION DOLLAR PRIME AND SUBCONTRACT MARKETS FOR WHICH WE ARE RESPONSIBLE. WHAT IS OUR TRACK RECORD? DURING THE PAST THREE YEARS DLA HAS PLACED WITH U.S. BUSINESS FIRMS A TOTAL OF $39.7 BILLION, OF WHICH $17.3 BILLION OR 43% WAS PLACED WITH SMALL BUSINESS FIRMS. SMALL DISADVANTAGED BUSINESSES RECEIVED $1.5 BILLION IN DIRECT AND 8(a) AWARDS DURING THIS SAME PERIOD.

OUR SMALL BUSINESS SET-ASIDE PROGRAM RESULTED IN THE PLACEMENT OF $7.1 BILLION OR 17% OF THE TOTAL AMOUNT PLACED WITH U.S. BUSINESS FIRMS. STATISTICAL TABLES SUMMARIZING AWARDS DURING THE PAST THREE YEARS FOLLOW:

DLA SMALL BUSINESS AND SMALL BUSINESS SET-ASIDE AWARDS
FY 81, FY 82, FY 83, FY 84 (THRU FEBRUARY)
($MIL)

		TOTAL U.S. BUSINESS	SMALL BUSINESS AWARDS			SET-ASIDE AWARDS		
DSC	FY	$ AWARDS	$ GOAL	$ ACTUAL	%	$ GOAL	$ ACTUAL	%
DCSC	81	516.7	231.2	317.7	(62)	86.0	80.6	(16)
	82	675.0	322.9	368.0	(55)	102.0	194.6	(29)
	83	872.2	412.0	449.8	(52)	251.0	265.1	(31)
	84	1074.0	520.0	174.0		301.0	111.3	
DESC	81	517.9	153.4	189.6	(37)	18.0	18.8	(04)
	82	614.5	177.9	232.8	(38)	71.5	72.3	(12)
	83	561.3	296.0	225.0	(41)	94.0	73.0	(13)
	84	808.0	307.0	78.2		94.0	25.5	
DFSC	81	10254.0	1532.3	2836.5	(28)	22.0	665.6	(07)
	82	7534.0	2143.1	3109.0	(42)	514.3	1061.0	(14)
	83	6845.5	2877.0	3101.2	(46)	932.7	932.7	(14)
	84	6089.5	2875.8	1503.8		920.3	366.7	
DGSC	81	514.0	213.1	287.0	(56)	96.0	95.4	(19)
	82	615.0	270.7	379.0	(62)	157.4	213.8	(35)
	83	595.7	483.0	362.3	(61)	270.0	188.9	(32)
	84	717.8	403.8	133.5		120.5	66.6	
DISC	81	467.4	192.3	280.0	(60)	46.0	38.4	(09)
	82	459.3	289.0	275.0	(60)	202.0	196.0	(43)
	83	533.0	332.0	281.8	(53)	250.0	202.3	(38)
	84	620.0	301.4	102.8		223.2	74.8	
DPSC	81	2602.7	1140.3	1443.0	(56)	620.0	804.2	(31)
	82	2592.0	1328.0	1449.1	(06)	722.0	955.2	(37)
	83	2774.6	1900.0	1668.6	(61)	1200.0	1060.8	(39)
	84	2760.6	1600.2	514.6		1038.2	319.2	
DLA	81	14947.0	3462.0	5373.0	(36)	888.0	1706.7	(12)
	82	12542.0	4531.0	5888.0	(47)	1769.0	2703.0	(22)
	83	12242.0	6300.0	6122.7	(50)	2997.0	2738.9	(23)
	84	12119.0	6033.0	2506.9		2809.2	964.2	

DLA SMALL DISADVANTAGED AND WOMEN-OWNED BUSINESS AWARDS
FY 81, FY 82, FY 83, FY 84 (THRU FEBRUARY)
($MIL)

		TOTAL U.S. BUSINESS	SMALL DISADVANTAGED BUSINESS AWARDS				WOMEN-OWNED SMALL BUSINESS	
DSC	FY	$ AWARDS	$ GOAL	$ ACTUAL	$ DIRECT	$ 8A	$ GOAL	$ ACTUAL
DCSC	81	516.7	6.6	9.7	9.6	.1	5.3	5.3
	82	675.0	6.9	9.1	8.6	.5	6.8	13.8
	83	872.2	7.4	9.3	7.1	2.2	14.3	14.4
	84	1074.0	10.0	3.0	.6	2.4	12.0	6.5
DESC	81	517.9	4.3	4.9	4.7	.2	9.5	1.5
	82	614.5	3.9	6.4	6.2	.2	8.3	8.4
	83	561.3	7.0	5.3	4.8	.5	8.6	16.0
	84	808.0	5.8	1.2	1.2		9.6	3.0
DFSC	81	10254.0	339.9	403.2	163.7	239.4	4.5	2.0
	82	7534.0	277.6	433.4	178.0	255.4	5.5	4.3
	83	6845.5	308.0	368.7	161.5	207.2	2.6	5.7
	84	6089.5	467.7	205.9	35.0	170.9	2.0	.9
DGSC	81	514.0	8.7	12.7	10.1	12.6	5.2	1.8
	82	615.0	9.3	20.1	9.6	10.5	7.5	4.4
	83	595.7	15.0	16.2	11.2	5.0	6.5	7.8
	84	717.8	22.1	15.5	2.8	12.7	10.0	5.5
DISC	81	467.4	7.8	11.2	11.0	.2	14.7	4.2
	82	459.3	9.0	13.4	12.8	.6	11.8	13.2
	83	533.0	8.2	12.7	9.9	2.8	13.7	12.2
	84	620.0	14.7	5.2	3.2	2.0	12.5	5.3
DPSC	81	2602.7	41.8	38.9	32.8	6.1	40.1	28.3
	82	2592.0	43.3	41.6	35.3	6.3	39.8	31.7
	83	2774.6	47.0	95.4	46.9	48.5	34.8	41.3
	84	2760.6	75.0	72.7	14.9	57.8	39.7	18.4
DLA	81	14947.0	409.1	480.0	235.7	250.7	81.1	43.0
	82	12542.0	350.1	524.0	250.5	273.5	69.0	86.7
	83	12242.0	392.6	507.0	242.7	270.1	90.0	87.7
	84	12119.0	596.5	303.5	57.7	245.8	87.0	39.6

NOTES: TOTAL U.S. BUSINESS $ AWARDS SHOWN IN COL. 3 OF THIS AND THE PRECEDING CHART FOR FY 81, 82, 83 ARE ACTUAL. TOTAL U.S. BUSINESS $ AWARDS FOR FY 84 ARE PROJECTED. AMOUNTS AWARDED TO SB, S/A, SDB, AND WOB ARE ACTUAL THRU FEB 84.

NOTE THAT PARTICIPATION BY SMALL AND DISADVANTAGED BUSINESS HAS INCREASED EACH YEAR. I AM ALSO PLEASED TO REPORT THAT WITH ONLY MINOR EXCEPTIONS, WE HAVE ACHIEVED ALL OF THE GOALS ASSIGNED BY THE SECRETARY OF DEFENSE. IN ADDITION TO INCREASED USE OF SMALL AND SMALL DISADVANTAGE BUSINESSES, WE HAVE MADE PROGRESS ALSO IN OUR USE OF WOMEN-OWNED BUSINESSES AND HAVE PLACED WITH KNOWN WOMEN-OWNED BUSINESSES $217 MILLION OVER THE PAST THREE YEARS. WE BELIEVE THAT WE ARE PROBABLY DOING A GREAT DEAL MORE WITH WOMEN-OWNED BUSINESSES THAN THESE NUMBERS WOULD INDICATE BECAUSE WE DO NOT ALWAYS HAVE GOOD VISIBILITY AS TO THE ACTUAL OWNERSHIP OF SOME OF OUR CONTRACTORS.

ON THE IMPORTANT BUSINESS OF SUBCONTRACTING WITH SMALL AND DISADVANTAGED BUSINESS FIRMS, DLA'S CONTRACT ADMINISTRATION ORGANIZATION, THE DEFENSE CONTRACT ADMINISTRATION SERVICES REGIONS (DCASRS), IS ADMINISTERING THE SUBCONTRACTING PROGRAMS OF MORE THAN 800 MAJOR DEFENSE CONTRACTORS, OR 75% OF ALL DOD CONTRACTORS IN THE PROGRAM. THESE FIRMS PLACED A TOTAL OF $56.0 BILLION DOLLARS IN REPORTABLE SUBCONTRACTS DURING THE PERIOD OF FY 81 THROUGH FY 83. OF THIS AMOUNT, $24.8 BILLION OR 44.2% WAS SUBCONTRACTED TO SMALL BUSINESS AND $835.7 MILLION OR 1.5% WAS AWARDED TO SMALL DISADVANTAGED FIRMS. THESE SUBCONTRACTS ARE AWARDED UNDER PRIME CONTRACTS ISSUED BY DLA AND THE MILITARY DEPARTMENTS AND SUBSEQUENTLY DELEGATED FOR CONTRACT ADMINISTRATION SERVICES TO OUR DCASRS.

FOLLOWING IS A THREE-YEAR BREAKDOWN WHICH SHOWS THE TOTAL NUMBER OF LARGE PRIME CONTRACTORS ADMINISTERED BY THE DCASRS, THE TOTAL AMOUNT OF SUBCONTRACTING, IN MILLIONS OF DOLLARS, AND THE AMOUNT AND PERCENTAGE OF THAT TOTAL PLACED WITH SMALL AND DISADVANTAGED FIRMS.

SUBCONTRACTING WITH SMALL AND SMALL DISADVANTAGED BUSINESS

FY	NO. PRIMES	TOTAL SUBLET	SB GOAL	%	SB AWARDS	%	SDB GOAL	SDB AWARDS	%
81	793	18370.2	6433.5	N/A	7669.2	(41.7)	246.4	257.3	(1.4)
82	867	17672.2	8454.0	(51.4)	7798.7	(44.1)	291.0	276.5	(1.6)
83	894	19949.6	10302.0	(45.0)	9287.9	(46.5)	304.2	301.9	(1.5)
84	N/A	N/A	10483.5	(48.0)	N/A		338.6	N/A	

SMALL BUSINESS GOALS WERE ASSIGNED BY PERCENTAGE BEGINNING WITH FY 82. DOLLARS SHOWN ARE ESTIMATED EQUIVALENTS.

I WANT TO SHARE WITH YOU SOME OF THE THINGS THAT WE HAVE DONE IN THE RECENT YEARS TO FURTHER IMPROVE THE AGENCY'S EFFICIENCY AND ENHANCE THE LEVEL OF SMALL BUSINESS PARTICIPATION IN OUR PROGRAMS. WE REALIZE THAT SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESSES ARE NEEDED IN INCREASING NUMBERS IF WE ARE TO INCREASE THE RATE OF COMPETITION. SOME OF THE MORE SIGNIFICANT ACTIONS WE HAVE TAKEN INCLUDE:

o THE ESTABLISHMENT OF A COMPETITION ADVOCATE OFFICE AND A SUPPORTING ORGANIZATION STRUCTURE IN EACH INVENTORY CONTROL POINT AND AT HEADQUARTERS.

o AUTHORIZATION OF 336 ADDITIONAL PERSONNEL IN THE BUYING CENTERS TO INCREASE ALL ASPECTS OF OUR COMPETITIVE PROCUREMENT EFFORTS, INCLUDING VALUE ENGINEERING, BREAKOUT, PRICE ANALYSIS, STANDARDIZATION, THE PARTS CONTROL PROGRAM, AND SPECIALIZED COMPETITION ADVOCATE PERSONNEL. FURTHER, 810 ADDITIONAL PERSONNEL WILL BE AUTHORIZED IN OUR DEFENSE CONTRACT ADMINISTRATION AND QUALITY ASSURANCE PROGRAMS IN SUPPORT OF THE MILITARY SERVICE'S COMPETITION AND PRICING PROGRAMS.

o DIRECT LIAISON AND VISITS TO ORIGINAL EQUIPMENT MANUFACTURERS (OEMS) TO OBTAIN MISSING OR INADEQUATE TECHNICAL DATA, OBTAIN SOURCES OF SUPPLY AND TO

CHALLENGE PROPRIETARY DATA LEGENDS. RESPONSE BY INDUSTRY HAS BEEN MOST ENCOURAGING.

o THE INITIATION OF PROCUREMENT ACTION TO OBTAIN AUTOMATION EQUIPMENT TO MAKE OUR TECHNICAL DATA REPOSITORIES MORE PRODUCTIVE AND RESPONSIVE.

THESE INITIATIVES ARE IN THE PROCESS OF BEING IMPLEMENTED. WHEN FULLY IMPLEMENTED, THEY SHOULD HAVE A SIGNIFICANT POSITIVE IMPACT ON INCREASED COMPETITION, WHICH WILL WORK TO THE BENEFIT OF SMALL AND DISADVANTAGED BUSINESSES.

I WOULD LIKE TO HIGHLIGHT SOME OF OUR INITIAL EXPERIENCES IN IMPLEMENTING THESE INITIATIVES:

GENERAL PRICE REDUCTIONS: A RECENT ANALYSIS BY THE DEFENSE INDUSTRIAL SUPPLY CENTER COMPARED 10,221 ITEMS PROCURED IN FY 83 WITH THE IDENTICAL ITEMS PROCURED IN FY 84. THE ANALYSIS INDICATED THAT THERE WERE 6,299 PRICE DECREASES, WHILE PRICES FOR 3,138 ITEMS INCREASED AND PRICES FOR 784 ITEMS DID NOT CHANGE. THE NET PRICE REDUCTION WAS OVER $5 MILLION.

VALUE ENGINEERING: AS A RESULT OF BUYERS' REQUESTS FOR VALUE ENGINEERING (VE) ASSISTANCE, THE VE STAFF DEVELOPED A DRAWING AND OBTAINED SERVICE APPROVAL FOR AN ITEM WHICH UNDER A COMPETITIVE ENVIRONMENT REDUCED THE SOLE SOURCE PRICE FROM $33.58 EACH TO $.72 EACH, WITH A SAVINGS OF $292,454. DELIVERY TIME WAS REDUCED FROM 16 TO 6 MONTHS. THE UNIT PRICE OF A TRANSFORMER WAS REDUCED FROM $2,378 TO $1,095, WITH AN IMMEDIATE SAVINGS OF $224,524. ON A MAGNETIC DISK SET, THE UNIT PRICE WAS REDUCED FROM $478.10 TO $230.02, WITH A SAVINGS OF $181,818. VALUE ENGINEERING IS HISTORICALLY OUR MOST SUCCESSFUL ENDEAVOR. IN

FY 83, VE SAVINGS OF $51.6 MILLION WERE REALIZED. THE FY 84 VE GOAL IS $63.3 MILLION. WE PLAN TO PROVIDE TRAINING TO 1,800 PEOPLE TO ENHANCE THEIR ABILITY TO RECOGNIZE OPPORTUNITIES TO IMPROVE COMPETITION THROUGH VE.

BREAKOUT: SO FAR IN FY 84, FOR SOLE SOURCE BREAKOUT ALONE, DLA HAS REALIZED SUCCESS IN BREAKING OUT 980 ITEMS FOR A SAVINGS OF OVER $2.5 MILLION. FOR FY 84, WE HAVE PROVIDED TWO BREAKOUT GOALS FOR EACH CENTER. ONE GOAL IS THE MINIMUM NUMBER OF ITEMS TO RECEIVE INTENSIVE REVIEW; THE SECOND GOAL IS THE PERCENTAGE OF ITEMS REVIEWED WHICH RESULT IN SUCCESSFUL BREAKOUT.

STANDARDIZATION: THE MOST SIGNIFICANT VEHICLE FOR OBTAINING INCREASED STANDARDIZATION IS THROUGH THE PARTS CONTROL PROGRAM. THE MAJOR THRUST OF THIS PROGRAM IS TO PROMOTE THE USE OF PREFERRED OR STANDARD PARTS DURING THE DESIGN OF EQUIPMENT AND WEAPON SYSTEMS. THE MILITARY SERVICES, THROUGH CONTRACT CLAUSES, REQUIRE CONTRACTORS TO SUBMIT LISTS OF PROPOSED PARTS AND, THROUGH REVIEW BY THE MULTI-SERVICE ADVISORY GROUP, THE PROLIFERATION OF NONSTANDARD PARTS IS REDUCED. THE RESULTS ARE IMPRESSIVE. IN FY 83, DLA REVIEWED 45,000 PROPOSED NONSTANDARD PARTS UNDER 557 CONTRACTS, FOR WHICH 23.6% (10,000) WERE CONVERTED TO STANDARD TYPE PARTS FOR A COST AVOIDANCE OF $129 MILLION. THE SECRETARY OF DEFENSE HAS MANDATED THE EXPANSION OF THIS PROGRAM.

OUR COMPETITION, VALUE ENGINEERING AND BREAKOUT PROGRAMS REVEAL A PRICE REDUCTION SAVINGS OF $15.3 MILLION FOR THE FIRST QUARTER OF FY 84. THESE ARE IMMEDIATE SAVINGS ONLY AND DO NOT REFLECT WHAT OUR FUTURE SAVINGS MIGHT BE DURING THE COURSE OF THE YEAR FOR THOSE SAME ITEMS. AS OUR SAVINGS, TRACKING, AND REPORTING SYSTEMS GET INTO PLACE, THE DOCUMENTED SAVINGS WILL INCREASE

SIGNIFICANTLY. WE ARE REQUESTING A $22.7 MILLION OPERATIONS AND MAINTENANCE BUDGET INCREASE ASSOCIATED WITH REQUIREMENTS IN FY 85. FOR OUR INSTANT SAVINGS TREND, THIS WOULD EQUATE TO A TWO-TO-ONE PAYOFF ON INVESTMENT. THIS RATIO SHOULD INCREASE SUBSTANTIALLY IN THE OUT-YEARS AS OUR EFFORTS ARE INTENSIFIED AND OUR EXPERTISE IMPROVES.

ONE OF OUR PRIMARY CHALLENGES IS TO UPGRADE OUR TECHNICAL FILE DATA BASE. MISSING AND INADEQUATE TECHNICAL DATA IS CURRENTLY AN IMPEDIMENT TO INCREASING COMPETITION, PARTICULARLY IN THE SMALL AND DISADVANTAGED BUSINESS COMMUNITY. WE ARE ENCOURAGED BY INDUSTRY'S COOPERATION AND RESPONSE TO OUR LIAISON AND VISITS TO THE ORIGINAL EQUIPMENT MANUFACTURERS. THIS ATTITUDE CAN SAVE THE GOVERNMENT ENORMOUS EFFORTS AND WILL ESCALATE PROGRESS IN COMPETITIVE PROCUREMENT.

I WANT TO ALSO HIGHLIGHT FOR YOU SOME ADDITIONAL ACCOMPLISHMENTS AND INITIATIVES WE HAVE TAKEN TO ENHANCE OPPORTUNITIES FOR SMALL AND DISADVANTAGED BUSINESSES TO PARTICIPATE IN OUR PROGRAMS.

o WE HAVE PUBLISHED AND HAVE PROMULGATED A COMPREHENSIVE DEFENSE LOGISTICS AGENCY MANUAL, ENTITLED "SMALL AND DISADVANTAGED BUSINESS UTILIZATION OPERATIONS MANAUAL." THIS MANUAL COVERS ALL ASPECTS OF OUR SMALL AND DISADVANTAGED BUSINESS UTILIZATION POLICIES AND PROCEDURES. IT IS CONSISTENT WITH THE VARIOUS LAWS WHICH GOVERN THE SMALL BUSINESS PROGRAM AND WITH VARIOUS DOD REGULATIONS INCLUDING THE DEFENSE ACQUISITION REGULATION. THIS MANUAL, WHILE CURRENT, IS UNDERGOING A FORMAL REVISION TO IMPROVE AND STRENGTHEN IT BY INCORPORATING CERTAIN LESSONS LEARNED OVER THE PAST THREE YEARS.

o SINCE THE PASSAGE OF P.L. LAW 95-507, ON 24 OCTOBER 1978, AND AS A RESULT OF THE ADDITIONAL DUTIES AND RESPONSIBILITIES RESULTING FROM THAT LAW, WE HAVE INCREASED BY 27 THE NUMBER OF PERSONNEL EMPLOYED IN OUR SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAM. THIS INCREASE FROM 93 TO 120 PEOPLE HAS STRENGTHENED OUR EFFORT AT EVERY LEVEL; OUR HEADQUARTERS, OUR SUPPLY CENTERS, OUR DCASRS AND THE DEPOTS AND SERVICES CENTERS. OUR SPECIALISTS AT EACH LOCATION HAVE AN OPEN DOOR POLICY FOR SMALL BUSINESS FIRMS, SEEKING OUT NEW SMALL BUSINESS SOURCES AND COUNSELING AND ASSISTING THOUSANDS EACH YEAR ON PRIME CONTRACT AND SUBCONTRACT OPPORTUNITIES.

o WE HAVE ASSIGNED SMALL BUSINESS TECHNICAL ADVISORS, AND AS MENTIONED EARLIER, COMPETITION ADVOCATES IN ALL DEFENSE SUPPLY CENTERS.

o WE PARTICIPATED IN 380 PROCUREMENT CONFERENCES DURING FY 82 AND FY 83 WHICH WERE ATTENDED BY 84,399 BUSINESS REPRESENTATIVES. OF THESE CONFERENCES, 141 OR 37% WERE SPONSORED BY 133 MEMBERS OF CONGRESS.

o WE HAVE LESSENED THE BURDEN ON SMALL BUSINESS BY INSTALLING TOLL FREE 800 NUMBERS ON AN EXPERIMENTAL BASIS AT ONE SUPPLY CENTER AND ONE SERVICE CENTER. THIS SERVICE FACILITATES INQUIRIES FROM SMALL FIRMS AND WEARE CONSIDERING EXPANDING IT TO OTHER ACTIVITIES.

o WE INITIATED PROJECT OUTREACH, A CONCERTED EFFORT TO IDENTIFY AND ENCOURAGE NEW SMALL BUSINESS FIRMS TO COMPETE FOR OUR CLOTHING AND APPAREL (C&A) REQUIREMENTS. UNDER PROJECT OUTREACH, DLA HAS PLACED A CONTRACT WITH DUN'S MARKETING SERVICE WHICH RESULTED IN THE IDENTIFICATION OF 26,000 CLOTHING

AND APPAREL PRODUCERS IN THE DUN'S DATA BASE. THESE FIRMS WILL BE INVITED TO PARTICIPATE IN SPECIAL CONFERENCES AND TRADE FAIRS, WHICH WILL BE DIRECTED SPECIFICALLY AT EXPLAINING OUR REQUIREMENTS FOR THESE ITEMS. IF THIS PROJECT PROVES FRUITFUL, DLA WILL CONSIDER EXTENDING THIS SEARCH FOR NEW AND NEEDED SUPPLIERS IN OTHER COMMODITY AREAS. SUCH EFFORTS, WE ANTICIPATE, WILL BE INSTRUMENTAL IN INCREASING COMPETITION AND EXPANDING THE INDUSTRIAL BASE.

o WE HAVE HOSTED MEETINGS WITH REPRESENTATIVES OF MAJOR CONTRACTOR ASSOCIATIONS (AEROSPACE INDUSTRIES, ELECTRONICS INDUSTRIES, NATIONAL SECURITY INDUSTRIES, AND AMERICAN DEFENSE PREPAREDNESS) TO PARTICIPATE IN A PROGRAM TO EXPLORE NEW AND CREATIVE WAYS TO FURTHER ASSIST LARGE DEFENSE PRIME CONTRACTORS IN EXPANDING THEIR SUBCONTRACTING PROGRAM WITH SMALL AND DISADVANTAGED FIRMS.

o WE ESTABLISHED IN 1978, AS AN INCENTIVE TO STIMULATE BETTER UTILIZATION OF MINORITY FIRMS, THE DEFENSE LOGISTICS AGENCY AWARD FOR CONTRACTOR EXCELLENCE IN ASSISTING SMALL DISADVANTAGED BUSINESS FIRMS. EACH YEAR, WE CONFER THIS RECOGNITION ON A REGIONAL AND NATIONAL BASIS TO THE TOP NINE PRIME CONTRACTORS WITH THE MOST OUTSTANDING SUBCONTRACTING RECORD. FROM THIS FIELD OF NINE REGIONAL WINNERS, WE SELECT THE ONE FIRM WHOSE SUPPORT OF MINORITY-OWNED BUSINESSES IS CONSIDERED THE MOST OUTSTANDING. THIS HAS BEEN A POPULAR AWARD AND BOTH THE EIGHT REGIONAL WINNERS AND THE NATIONAL AWARD WINNER ARE RECOGNIZED IN APPROPRIATE CEREMONIES.

o WE HAVE ESTABLISHED A SPECIAL PROGRAM IN THE AGENCY'S DEFENSE TECHNICAL INFORMATION CENTER TO FACILITATE SMALL BUSINESS PARTICIPATION IN THE SMALL BUSINESS INNOVATION RESEARCH PROGRAM BASED ON PUBLIC LAW 97-219.

o WE HAVE PROMULGATED THE PRESIDENT'S STATEMENT ON MINORITY BUSINESS ENTERPRISE TO ALL FIELD COMMANDERS AND KEY OPERATING OFFICIALS.

WE CONTINUE TO RESPOND TO NEW LAWS AND DIRECTION GIVEN SMALL BUSINESS BY THE PRESIDENT, THE CONGRESS, AND THE SECRETARY OF DEFENSE, PARTICULARLY IN ASSURING THAT DOD PRIME CONTRACTORS ARE MADE AWARE OF THE NEED TO USE THEIR ECONOMIC LEVERAGE IN SUPPORT OF THESE NATIONAL POLICIES BY INCREASING AWARDS TO SMALL AND DISADVANTAGED BUSINESS FIRMS IN THE FOLLOWING SPECIALIZED AREAS:

— LABOR SURPLUS AREAS

— SOUTHWEST CORRIDOR AREAS

— NORTHEAST-MIDWEST CONGRESSIONAL COALITION AREAS

— PUERTO RICO

— AMERICAN INDIAN FIRMS

o WE HAVE ESTABLISHED AND HAVE APPLIED DETAILED PROCEDURES FOR THE EVALUATION, NEGOTIATION, AND ACCEPTANCE OF CONTRACTORS' MASTER SUBCONTRACTING PLANS IN OUR DCASRS. THESE ANNUAL PLANS ENCOMPASS ALL OF THE SUBCONTRACTING PLAN REQUIREMENTS EXCEPT GOALS, WHICH ARE NEGOTIATED ON AN INDIVIDUAL CONTRACT BASIS. OUR DCASRS POSSESS A GREAT WEALTH OF KNOWLEDGE OF CONTRACTORS' PROCEDURES AND OPERATIONS. THE EFFECTIVE IMPLEMENTATION OF THESE MASTER SUBCONTRACTING PLANS SHOULD GREATLY STRENGTHEN SMALL AND SMALL DISADVANTAGED BUSINESS PARTICIPATION IN THE SUBCONTRACTING PROCESS.

o WE HAVE INSTITUTED TWO AWARDS WHICH CONFER ON DLA EMPLOYEES RECOGNITION FOR OUTSTANDING SUPPORT OF SMALL AND DISADVANTAGED BUSINESS.

o FINALLY, WE HAVE DEVELOPED A PROGRAM TO EXPAND THE SCOPE AND DEPTH OF OUR REVIEWS OF PRIME CONTRACTOR SUBCONTRACTING PROGRAMS, AND TO OBTAIN A GREATER DEGREE OF UNIFORMITY IN DETERMINING THE ADEQUACY OF THESE PROGRAMS. THE FORMAT FOR THESE COMPREHENSIVE REVIEWS IS CONTAINED IN DLA FORM 640 AND 640A, COPIES OF WHICH ARE INCLUDED AS ATTACHMENTS A AND B.

MR. CHAIRMAN, HAVING GIVEN YOU AN OVERVIEW OF DLA'S MISSION, OUR CURRENT EMPHASIS ON COMPETITION, AND AN INSIGHT INTO OUR SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAM, I TURN NOW TO THE SPECIFIC POINTS RAISED IN YOUR LETTER OF 20 MARCH 1984. I WILL RESPOND TO THE QUESTIONS IN THE ORDER OF THEIR PRESENTATION. FOR EASE OF REFERENCE, I HAVE REPEATED EACH QUESTION BELOW.

QUESTION: (1) NUMBER AND DOLLAR VALUE OF CONTRACTS AWARDED DURING THE LAST THREE YEARS WHICH CONTAINED SUBCONTRACTING PLANS.

DLA CONTRACTING ACTIVITIES PLACED A TOTAL OF 677 CONTRACTS WITH SUBCONTRACT PLANS FROM FY 81 THROUGH FY 83. THE TOTAL FACE VALUE OF THESE AWARDS APPROXIMATED $5.2 BILLION, OF WHICH AMOUNT $4.7 BILLION (90%) WAS FOR CONTRACTS AWARDED BY THE DEFENSE FUEL SUPPLY CENTER.

QUESTION: (2) NUMBER AND DOLLAR VALUE OF CONTRACTS AWARDED DURING THE LAST THREE YEARS WHICH DID NOT CONTAIN SUBCONTRACTING PLANS, BUT WHICH WERE REQUIRED BY LAW TO CONTAIN SUCH PLANS. WHAT CORRECTIVE ACTION WAS TAKEN REGARDING THESE AWARDS? HOW MANY CONTRACTS HAVE NOT BEEN MODIFIED TO INCLUDE PLANS?

DLA CONTRACTING ACTIVITIES DID NOT AWARD ANY CONTRACTS OR MAKE ANY MODIFICATIONS TO EXISTING CONTRACTS WHICH DID NOT CONTAIN THE REQUIRED PLANS. SOME CONTRACTS AND MODIFICATIONS WERE MADE WHICH CONTAINED NO PLAN. HOWEVER, IN EACH OF THESE CASES, THE CONTRACTING OFFICER MADE A DETERMINATION, CONCURRED IN BY THE SADBU SPECIALIST AND THE SBA'S PROCUREMENT CENTER REPRESENTATIVE, WHERE ASSIGNED, THAT NO SUBCONTRACTING POSSIBILITIES EXISTED. AMONG THE CATEGORY OF CONTRACTS FOR WHICH NO CONTRACTING POSSIBILITIES EXIST ARE CONTRACTS FOR CRUDE OIL, BULK FUEL, COAL, AND FRESH MEATS.

QUESTION: (3) HOW MANY PLANS DID SBA REVIEW DURING THE LAST THREE YEARS? WHAT WAS THE NUMBER FOUND DEFICIENT AND DOLLAR VALUE OF SUCH CONTRACTS?

OF THE CONTRACTS AWARDED OR MODIFIED BY DLA DURING THE LAST THREE YEARS WHICH CONTAINED PLANS, SBA REVIEWED 747 AND FOUND 112 PLANS TO BE DEFICIENT. INFORMATION AS TO THE DOLLAR VALUE OF CONTRACTS WHOSE PLANS WERE DEEMED DEFICIENT BY SBA ARE NOT MAINTAINED BY DLA. THIS INFORMATION IS FORWARDED THROUGH SBA CHANNELS AND IS REPOSITED IN SBA'S CENTRAL OFFICE. CONCERNING THE DEFICIENCIES CITED, DLA DOES NOT ALWAYS AGREE WITH SBA BECAUSE MANY OF THE ALLEGED DEICIENCIES CITED BY SBA ARE CONSIDERED SUBJECTIVE AND JUDGMENTAL. WHERE THE PCO ACCEPTS THE SBA'S RECOMMENDATIONS, THE DEFICIENCIES ARE CORRECTED AND THE PLAN IS RENDERED ACCEPTABLE BY THE PCO PRIOR TO AWARD.

QUESTION: (4) TOTAL DOLLAR VALUE OF ALL SUBCONTRACTS AWARDED DURING THE LAST THREE YEARS UNDER PRIME CONTRACTS CONTAINING PLANS AND THE DOLLAR VALUE AND PERCENTAGE OF SUBCONTRACTS AWARDED TO SMALL AND SMALL DISADVANTAGED BUSINESSES.

OVERALL SUBCONTRACTING STATISTICS ARE MAINTAINED BY THE SERVICE OR AGENCY HAVING THE CONTRACT ADMINISTRATION RESPONSIBILITY, AND NOT BY THE SERVICE OR AGENCY AWARDING THE CONTRACT. IN THIS CONTEXT, CONTRACTORS UNDER DLA COGNIZANCE (793 IN FY 81; 867 IN FY 82 AND 894 IN FY 83) REPORTED THE PLACEMENT OF APPROXIMATELY $56 BILLION IN SUBCONTRACTS TO ALL FIRMS DURING THE FY 81-83 PERIOD. OF THE AMOUNT SUBCONTRACTED, $24.8 BILLION OR 44.2% WAS PLACED WITH SMALL BUSINESS AND $835.7 MILLION OR 1.5% WAS PLACED WITH SMALL DISADVANTAGED BUSINESS FIRMS.

QUESTION: (5) TOTAL NUMBER AND DOLLAR VALUE OF ALL PRIME CONTRACTS AWARDED WHERE THE PRIME WAS FOUND TO BE IN NONCOMPLIANCE AND ANY REMEDIAL ACTIONS TAKEN INCLUDING DEBARMENT PROCEEDINGS.

A TOTAL OF 222 CONTRACTS AMOUNTING TO $532 MILLION WERE INITIALLY FOUND TO BE IN NONCOMPLIANCE FOR A NUMBER OF REASONS, INCLUDING FAILURE TO MAINTAIN OR SUBMIT REQUIRED RECORDS. WHEN CONTRACTORS ARE IN NONCOMPLIANCE, SEVERAL SPECIFIC STEPS ARE TAKEN BY THE DCASR TO GET THE CONTRACTOR TO TAKE CORRECTIVE ACTION PRIOR TO REFERRAL TO THE PCO. THESE INCLUDE DISCUSSION BY THE SADBUS DURING REVIEWS WHEN DEFICIENCIES ARE NOTED. WHEN DEFICIENCIES ARE NOT CORRECTED, THE SADBUS FOLLOWS-UP. IF THE FOLLOW-UP FAILS, THE ADMINISTRATIVE CONTRACTING OFFICE REQUESTS IN WRITING THAT CORRECTIVE ACTION BE TAKEN. IF THAT FAILS, THE DCASMA COMMANDER USES HIS INFLUENCE AND WRITES THE CHIEF EXECUTIVE OFFICER. USUALLY, HOWEVER, CORRECTIVE ACTION IS TAKEN WHEN THE SADBUS NOTES THE DEFICIENCY AND REQUESTS CORRECTIVE ACTION. ACO'S LETTERS ARE SELDOM IGNORED WHEN THE SADBUS' EFFORTS FAILED. IN ONLY A FEW INSTANCES HAVE COMMANDERS FOUND IT NECESSARY TO WRITE TO CHIEF EXECUTIVE OFFICERS TO EFFECT

THE NECESSARY IMPROVEMENTS. IN NO INSTANCE WAS IT NECESSARY TO RECOMMEND TERMINATION FOR DEFAULT. IF ALL OF THESE EFFORTS BY THE DCASR COULD NOT EFFECT THE DESIRED CORRECTIVE ACTION, THE DEFICIENCY WOULD BE REFERRED TO THE PCO.

QUESTION: (6) DESCRIBE ANY OUTREACH PROGRAM THAT THE DEFENSE LOGISTICS AGENCY MAY HAVE TO ASSIST SMALL AND SMALL DISADVANTAGED BUSINESSES INTERESTED IN SUBCONTRACTING WITH DEFENSE LOGISTICS AGENCY'S LARGE PRIME CONTRACTORS.

THE DEFENSE LOGISTICS AGENCY IS INVOLVED IN A NUMBER OF ACTIVITIES TO LOCATE AND ASSIST SMALL AND DISADVANTAGED SMALL BUSINESS FIRMS. I NOTED THAT EACH YEAR OUR TEAM OF SMALL BUSINESS ADVOCATES SEEK OUT AND COUNSEL AND ASSIST THOUSANDS OF SMALL FIRMS. WE ARE A VERY ACCESSIBLE AGENCY AND HAVE ALWAYS HAD, AND WILL CONTINUE TO HAVE, AN OPEN DOOR POLICY FOR SMALL BUSINESS FIRMS. OUR FIELD OFFICES ARE LOCATED IN PRACTICALLY EVERY MAJOR AREA OF INDUSTRIAL CONCENTRATION IN THE UNITED STATES. I HAVE INCLUDED AS ATTACHMENT C, THE NAMES, TELEPHONE NUMBERS AND LOCATIONS OF OUR SMALL BUSINESS TEAM. OUR OUTREACH EFFORTS CONSIST OF A NUMBER OF SPECIFIC ACTIVITIES INCLUDING:

- PARTICIPATING IN PROCUREMENT CONFERENCES
- CIRCULATING TO SMALL AND DISADVANTAGED BUSINESS FIRMS LISTINGS OF ITEMS LACKING COMPETITION
- WORKING WITH STATE AND LOCAL GOVERNMENTS TO ESTABLISH PROCUREMENT ASSISTANCE PROGRAMS

- WORKING ON DOD SMALL BUSINESS COUNCILS

- SERVING AS PANELISTS IN SEMINARS SPONSORED BY THE SMALL BUSINESS ADMINISTRATION AND THE MINORITY BUSINESS DEVELOPMENT AGENCY

- ADVERTISING OUR NEEDS IN THE COMMERCE BUSINESS DAILY

DLA HAS ALSO SPENT CONSIDERABLE TIME AND RESOURCES IN ITS EFFORTS TO SUPPORT SPECIALIZED PROGRAMS, SUCH AS:

- ACTING AS DOD FOCAL POINT IN COORDINATING DOD PARTICIPATION IN SIX SPECIALIZED PROCUREMENT CONFERENCES WHICH WERE PART OF THE PRESIDENT'S SOUTHWEST BORDER INITIATIVES PROGRAM.

- PROVIDING ACTIVE SUPPORT TO SPECIAL PROCUREMENT CONFERENCES SPONSORED BY MEMBERS OF THE NORTHEAST-MIDWEST COALITION.

- PROVIDING SPECIALIZED SUPPORT FOR PROCUREMENT CONFERENCES, INCLUDING TECHNICAL ASSISTANCE AND COOPERATION WITH LOCAL ECONOMIC DEVELOPMENT ORGANIZATIONS IN DEVELOPING CONTRACTING OPPORTUNITIES FOR SMALL BUSINESSES IN PUERTO RICO AND THE ISLAND OF VIEQUES.

QUESTION: (7) GIVE THE NUMBER AND DOLLAR VALUE OF PRIME CONTRACTS AWARDED WHERE THE GOALS RECITED IN PLANS WERE NOT MET. WHAT IS THE AVERAGE GOAL ATTAINMENT FOR BOTH SMALL AND SMALL DISADVANTAGED BUSINESS?

AS IN QUESTION 4 ABOVE, SUBCONTRACTING STATISTICS ON CONTRACT AND CONTRACTOR PERFORMANCE ARE SYSTEMATICALLY MAINTAINED BY THE SERVICE OR AGENCY WHICH HAS CONTRACT MANAGEMENT RESPONSIBILITY, AND NOT BY THE SERVICE OR AGENCY AWARDING THE CONTRACT. THE FOLLOWING TABLES REPRESENT THE NUMBER AND DOLLARS SUBCONTRACTED FOR DLA ADMINISTERED CONTRACTS AWARDED BY THE MILITARY SERVICES AND DLA WHICH DID NOT MEET THEIR GOALS, AND THE AVERAGE GOAL ATTAINMENT FOR BOTH SMALL AND DISADVANTAGED BUSINESS. DOLLAR FIGURES IN THE FIRST TABLE ARE TOTAL SUBCONTRACTED DOLLARS RATHER THAN THE DOLLAR VALUE OF THE CONTRACTS, AS THE DOLLAR VALUE OF CONTRACTS IS NOT MAINTAINED IN THE SUBCONTRACTING REPORTING SYSTEM.

SMALL BUSINESS GOALS NOT MET
(IN MILLIONS)
TOTAL $

FY	NO. OF CONTRACTS	SUBCONTRACTED TO ALL FIRMS	SB GOAL	SB ACTUAL	% OF GOAL
81	77	$101.6	$ 53.0	$ 31.5	59.4
82	126	110.8	65.0	26.2	40.3
83	185	538.1	267.8	127.1	47.5
TOTAL	388	750.5	385.8	184.8	47.9

SMALL DISADVANTAGED BUSINESS GOALS NOT MET
(IN THOUSANDS)
TOTAL $ SUBCONTRACTED

FY	NO. OF CONTRACTS	SUBCONTRACTED TO ALL FIRMS	SDB GOAL	SDB ACTUAL	% OF GOAL
81	100	$136,682	$ 2,433	$ 602	24.7
82	157	147,632	4,219	988	23.4
83	206	382,684	4,762	1,425	29.9
TOTAL	463	$666,998	$11,414	$3,015	26.4

AVERAGE INDIVIDUAL CONTRACT GOAL ACHIEVEMENT
(ON COMPLETED CONTRACTS)

FY	NO. OF CONTRACTS	SMALL BUSINESS %	SMALL DISADVANTAGED BUSINESS %
81	572	94.7	142.1
82	604	109.2	142.8
83	884	94.7	174.6
TOTAL	2,060	98.5	157.6

QUESTION: (8) WHAT WERE YOUR SUBCONTACTING PROGRAM GOALS FOR THE LAST THREE FISCAL YEARS? WERE GOALS MET? IF NOT, EXPLAIN.

THE OFFICE OF THE SECRETARY OF DEFENSE (OSD) ASSIGNS DLA A SUBCONTRACTING GOAL FOR SUBCONTRACTS TO BE PLACED UNDER CONTRACTS ADMINISTERED BY THE DCASRS. THE OVERALL GOALS ASSIGNED TO DLA FOR SUBCONTRACTING WITH SMALL AND SMALL DISADVANTAGED BUSINESS FOR THE PAST THREE FISCAL YEARS WITH RESULTS ARE SHOWN BELOW:

	SMALL BUSINESS (MILLIONS)				SMALL DISADVANTAGED BUSINESS (MILLIONS)		
FY	GOAL	%	ACHIEVEMENT (%)		GOAL	ACHIEVEMENT	% OF GOAL
81	$ 6,433.5		$7,669.2	(41.7)	$246.4	$257.3	104.4
82	$ 8,454.0	(51.4)	7,798.7	(44.1)	291.0	276.5	95.0
83	$10,302.0	(45.0)	9,287.9	(46.5)	304.2	301.9	99.2

SMALL BUSINESS GOALS WERE ASSIGNED BY OSD IN DOLLARS THROUGH 1981. BEGINNING IN FY 82, THEY WERE ASSIGNED AS A PERCENTAGE OF THE TOTAL AMOUNT SUBCONTRACTED. DOLLAR FIGURES SHOWN IN THE GOAL COLUMN ARE ESTIMATES OF THE AMOUNT ANTICIPATED FOR SMALL BUSINESS. OSD ASSIGNS SMALL DISADVANTAGED GOALS IN DOLLARS.

PRIME CONTRACTORS HAVE REPORTED THAT THE SHORTFALL IN GOAL ACHIEVEMENTS IN FY 82 WAS CAUSED BY THE RECENT ECONOMIC TURNDOWN, WHICH RESULTED IN DRAWING SUBCONTRACT WORK IN-HOUSE. SOME PRIME CONTRACTORS HAVE ALSO REPORTED THAT THEY EXPERIENCED DIFFICULTIES IN LOCATING QUALIFIED DISADVANTAGED BUSINESS FIRMS WITH THE REQUIRED MANUFACTURING CAPABILITY.

QUESTION: (9) TO WHAT EXTENT ARE SMALL AND SMALL DISADVANTAGED BUSINESS PROGRAM ACCOMPLISHMENTS TAKEN INTO ACCOUNT WHEN EVALUATING THE PERFORMANCE OF ACQUISITION PERSONNEL?

DLA REGULATIONS PROVIDE THAT THE PERFORMANCE APPRAISALS OF ALL ACQUISITION PERSONNEL WILL CONSIDER THE EFFECT THAT EACH EMPLOYEE MAKES IN CONTRIBUTING TO THE ATTAINMENT OF SMALL BUSINESS OBJECTIVES.

MR. CHAIRMAN, THIS COMPLETES MY RESPONSE TO THE QUESTIONS SPECIFICALLY ENUMERATED IN YOUR LETTER OF 20 MARCH 1984.

I TURN NOW TO THOSE ACTIONS TAKEN BY DLA IN RESPONSE TO RECOMMENDATIONS ADDRESSED TO THE AGENCY IN HOUSE REPORT 97-956.

HOUSE REPORT 97-956 CONTAINS SEVERAL RECOMMENDATIONS DIRECTED AT FEDERAL BUYING AGENCIES. THESE RECOMMENDATIONS ARE REPEATED BELOW TOGETHER WITH OUR RESPONSE TO EACH.

RECOMMENDATION:

(1) REPORT TO THIS COMMITTEE ON A QUARTERLY BASIS, THE FOLLOWING INFORMATION:

(A) NUMBER AND DOLLAR VALUE OF CONTRACTS AWARDED DURING THE QUARTER WHICH CONTAIN SUBCONRACTING PLANS;

(B) NUMBER AND DOLLAR VALUE OF CONTRACTS AWARDED DURING THE QUARTER WHICH DO NOT CONTAIN PLANS, BUT WHICH, BY LAW, SHOULD HAVE PLANS;

(C) THE NUMBER OF PLANS REVIEWED BY SBA DURING THE QUARTER; THE NUMBER SBA FOUND DEFICIENT AND THE NUMBER AND DOLLAR VALUE OF CONTRACTS AWARDED WHICH CONTAINED PLANS WHICH SBA NOTED AS BEING DEFICIENT BUT WHICH WERE NOT CORRECTED TO SBA'S SATISFACTION; AND

(D) THE TOTAL NUMBER AND DOLLAR VALUE OF ALL SUBCONTRACTS AWARDED DURING THE QUARTER AND THE DOLLAR VALUE AND PERCENT OF SUBCONTRACTS AWARDED TO SMALL BUSINESS AND TO SMALL DISADVANTAGED BUSINESS.

RESPONSE:

(A) DLA, IN COMPLIANCE WITH DOD REPORTING REQUIREMENTS, REPORTS THE NUMBER AND DOLLAR VALUE OF CONTRACTS AWARDED WHICH CONTAIN SUBCONTRACT PLANS. THIS INFORMATION IS ROUTINELY FURNISHED TO THE OSD DIRECTORATE OF INFORMATION OPERATIONS AND REPORTS (DIOR). INFORMATION COLLECTED BY THAT ORGANIZATION FROM DLA AND THE MILITARY SERVICES IS USED BY DOD IN PERIODICAL REPORTS TO INTERESTED PARTIES.

(B) ALL DLA AWARDED CONTRACTS WHICH REQUIRED A SUBCONTRACT PLAN IN ACCORDANCE WITH SECTION 211 DID, IN FACT, CONTAIN SUCH PLANS.

(C) DLA DOES NOT MAINTAIN OR REPORT THIS INFORMATION. THE SBA MAINTAINS INFORMATION ON THE NUMBER OF PLANS THAT IT CONSIDERS (OR WHICH IT CONSIDERED INITIALLY) TO BE DEFICIENT. THE SBA PERIODICALLY REPORTS THIS INFORMATION TO

THE CONGRESS. AS INDICATED EARLIER IN THIS STATEMENT, SBA IDENTIFIED OVER THE PERIOD FY 81 THROUGH FY 83, A TOTAL OF 112 PLANS ON DLA CONTRACTS THAT WERE DEEMED INITIALLY TO BE DEFICIENT. THESE 112 PLANS WERE EITHER CORRECTED TO THE SATISFACTION OF THE SBA, PRIOR TO AWARD, OR CONTRACTS WERE AWARDED DESPITE ALLEGED DEFICIENCIES. THE QUESTION OF WHAT CONSTITUTES A GOOD AND THEREFORE ACCEPTABLE PLAN VERSUS A BAD AND THEREFORE UNACCEPTABLE PLAN CAN BE A HIGHLY SUBJECTIVE AND JUDGMENTAL MATTER. THE STATUTE AND REGULATIONS PROVIDE THE SBA WITH AN ADVISORY ROLE ON THE ADEQUACY OF SUBCONTRACT PLANS WHILE THE CONTRACTING AGENCY HAS THE ULTIMATE RESPONSIBILITY TO DETERMINE THE ACCEPTABILITY OF SUCH PLANS.

(D) THE TOTAL DOLLARS SUBCONTRACTED EACH QUARTER AND THE DOLLAR VALUES AND PERCENTAGES THEREOF, PLACED WITH SMALL AND SMALL DISADVANTAGED BUSINESSES, IS COLLECTED ON A QUARTERLY BASIS BY THE DIOR. QUARTERLY REPORTS DETAILING THIS INFORMATION ARE PUBLISHED BY THAT OFFICE. HOWEVER, PRIME CONTRACTORS ARE NOT REQUIRED TO REPORT THE NUMBER OF SUBCONTRACTS AWARDED; THUS, THIS DATA ARE NOT AVAILABLE.

RECOMMENDATION 2:

PROVIDE SBA WITH ADEQUATE AND TIMELY INFORMATION WITH RESPECT TO THE AWARD OF CONTRACTS COVERED BY SECTION 211.

RESPONSE:

IN ACCORDANCE WITH DOD REGULATIONS, SBA IS ROUTINELY ADVISED OF ALL CONTRACTS THAT ARE EXPECTED TO EXCEED $500,000 IN VALUE. THE SBA'S RESIDENT PROCUREMENT CENTER REPRESENTATIVES (PCRs) ASSIGNED TO DLA CONTRACTING ACTIVITIES ARE

AFFORDED OPPORTUNITIES TO PARTICIPATE IN ALL PRECONTRACT PLAN EVALUATIONS AND ARE FURNISHED COPIES OF ALL SUBCONTRACTING PLANS AWARDED UNDER NEGOTIATED CONTRACTS. IN ADDITION, DLA REGULATIONS PROVIDE THAT SBA SUBCONTRACT SPECIALISTS WILL BE INVITED TO PARTICIPATE IN ALL POSTAWARD SURVEILLANCE REVIEWS.

RECOMMENDATION 3:

COMMENCE CONTRACT DEBARMENT PROCEEDINGS AGAINST ANY CONTRACTOR WHO IS DETERMINED TO HAVE VIOLATED MORE THAN ONE PLAN. EXCEPTIONS SHOULD ONLY BE MADE BY THE PRESIDENT UPON A FINDING THAT NATIONAL SECURITY WILL BE IMPAIRED IF THE CONTRACTOR IS DEBARRED. IN SUCH A CASE, OTHER SEVERE REMEDIES MUST BE IMPOSED.

RESPONSE:

NO RECOMMENDATIONS TO INITIATE DEBARMENT ACTION AGAINST ANY CONTRACTOR FOR REPETITIVE VIOLATIONS OF SUBCONTRACTING PLANS HAVE BEEN BROUGHT TO THE ATTENTION OF THE DEBARMENT OFFICIAL. HOWEVER, IF BROUGHT TO OUR ATTENTION, DLA WOULD CONSIDER DEBARMENT ACTION IN ACCORDANCE WITH REGULATORY REQUIREMENTS IN CASES OF WILLFUL AND CHRONIC NONCOMPLIANCE WITH SUBCONTRACTING PLANS; PROVIDED THAT, DLA HAS BEEN UNABLE TO EFFECTUATE COMPLIANCE THROUGH LESS SEVERE REMEDIES. FURTHER, DLA WOULD NOT HESITATE TO IDENTIFY AS NONRESPONSIBLE ANY CONTRACTOR THAT PERSISTENTLY DISREGARDED CONTRACTUAL OBLIGATIONS TO SMALL AND DISADVANTAGED BUSINESSES.

RECOMMENDATION 4:

INCLUDE IN THE PERSONNEL PERFORMANCE STANDARDS OF ALL ACOs AND PCOs, STRINGENT

REQUIREMENTS FOR THE EXPEDITIOUS AND VIGOROUS ENFORCEMENT OF THE SUBCONTRACTING PROGRAM. SUCH A STANDARD SHOULD BE DENOMINATED AS "CRITICAL" SO THAT FAILURE TO ACHIEVE THE STANDARD CAN RESULT IN SEPARATION FROM FEDERAL SERVICE.

RESPONSE:

DLA ACQUISITION PERSONNEL ARE GOVERNED BY POLICIES AND REGULATIONS THAT COVER THE ENFORCEMENT OF ALL STATUTORY REQUIREMENTS. AS INDICATED EARLIER IN THIS STATEMENT, SPECIFIC EFFORTS TO EXACT COMPLIANCE ARE APPLIED BY SMALL BUSINESS PERSONNEL, CONTRACTING OFFICERS, AND FIELD COMMANDERS. GENERALLY, PERFORMANCE STANDARDS FOR CONTRACTING PERSONNEL INCLUDE REQUIREMENTS TO SUPPORT THE SMALL AND DISADVANTAGED BUSINESS UTILIZATION PROGRAM. HOWEVER, THE OFFICE OF PERSONNEL MANAGEMENT (OPM) HAS DEFINED A CRITICAL ELEMENT AS A COMPONENT OF AN EMPLOYEE'S JOB THAT IS OF SUCH IMPORTANCE THAT PERFORMANCE BELOW THE MINIMUM STANDARD REQUIRED BY MANAGEMENT REQUIRES SOME FORM OF REMEDIAL ACTION. ACCORDINGLY, IT IS IMPORTANT TO BREAKDOWN A JOB BY ITS MAJOR GROUPINGS OF RESPONSIBILITIES AND NOT BY ANY SINGLE STATUTORY PROGRAM. HOWEVER, EACH OF THESE PROGRAMS NECESSARILY IS AN ELEMENT IN THE PERFORMANCE STANDARD THAT MAKE UP A CRITICAL ELEMENT. WHILE WE HAVE AN OBLIGATION TO GIVE EQUAL WEIGHT TO ALL STATUTORY REQUIREMENTS, IT IS NOT FEASIBLE OR PRACTICAL IN CARRYING OUT OUR MISSION TO SINGLE OUT ONE REQUIREMENT AND ACCORD IT MORE WEIGHT THAN ANOTHER. NONETHELESS, I WANT TO ASSURE THE COMMITTEE THAT WE TAKE OUR OBLIGATIONS TO THE SMALL BUSINESS COMMUNITY VERY SERIOUSLY AND WE INSIST THAT THE INDUSTRIES WITH WHICH WE DEAL DO LIKEWISE.

THAT CONCLUDES MY STATEMENT. I WILL BE PLEASED TO ANSWER ANY QUESTIONS.

REVIEW OF CONTRACTOR'S SUBCONTRACTING PROGRAM
(DLA FORM 640)

ATTACHMENT A

REVIEW OF CONTRACTOR'S SUBCONTRACTING PROGRAM

PART I - GENERAL INFORMATION

1. CONTRACTOR'S NAME AND ADDRESS *(Include ZIP Code)*

2. CONTRACTOR'S SUBCONTRACTING PLAN ADMINISTRATOR *(Small Business Liaison Officer - SBLO)*

3. DOD SMALL AND DISADVANTAGED BUSINESS UTILIZATION SPECIALIST (SADBUS)

4. ADMINISTRATIVE CONTRACTING OFFICER *(ACO)*

5. SMALL BUSINESS ADMINISTRATION SUBCONTRACTING SPECIALIST

6. DATE OF		7. PERIOD COVERED BY THIS REVIEW	
a. LAST REVIEW	b. THIS REVIEW	FROM	TO

8. TOTAL ACTIVE DOD CONTRACTS		9. TOTAL SUBCONTRACTING POTENTIAL ESTIMATED TO BE			
a. NUMBER	b. FACE VALUE	a. ☐ SUBSTANTIAL *(over 50%)*	b. ☐ MODERATE *(30 - 50%)*	c. ☐ MINIMAL *(less than 30%)*	d. ☐ UNKNOWN

10. COMMERCIAL PLAN OR PLANS ☐ YES ☐ NO. IF YES, DESCRIBE COMMERCIAL PRODUCT LINES COVERED, APPROVING AUTHORITY, DATE OF APPROVAL, AND PERIOD COVERED:

11. MASTER PLAN ☐ YES ☐ NO. IF YES IDENTIFY APPROVING AUTHORITY, DATE OF APPROVAL, AND PERIOD COVERED:

12. ACTIVE CONTRACTS OVER $500,000 *($1 million if construction)* THAT DO NOT CONTAIN APPROVED PLANS. NUMBER ____________
FACE VALUE ____________________ *(Identify and explain rationale for absence of plan).*

13. ACTIVE CONTRACTS WITH INDIVIDUAL SUBCONTRACTING PLANS. NUMBER __________ FACE VALUE ____________________
(Complete DLA FORM 640A for each contract included above.)

DLA FORM 640
MAR 83

PREVIOUS EDITION IS OBSOLETE

PART II - CONTRACTOR'S OVERALL PERFORMANCE UNDER INDIVIDUAL SUBCONTRACTING PLANS

(Explain any negative findings, using Part III if additional space is required. Identify any exceptions that do not apply to all contracts detailed on DLA Form 640A. This Part to be reviewed in depth at least annually, and updated as required during interim reviews.)

1. Has a company wide policy statement been issued? ☐ YES ☐ NO If yes, by whom and date? How was it promulgated throughout the company?

2. Is the SBLO identified in Part I above responsible for all individual subcontracting plans detailed on DLA Form 640A? ☐ YES ☐ NO Does SBLO have adequate authority and responsibility to administer programs effectively? ☐ YES ☐ NO To whom does SBLO report?

3. Is there also a Corporate SBLO? ☐ YES ☐ NO If yes, describe relationship between this division and the corporate SBLO.

4. Does contractor have an effective training program, particularly for buyers? ☐ YES ☐ NO Describe any incentive programs established for buyers or technicians to assist Small and Disadvantaged Business (SADB) firms.

5. Does the contractor arrange solicitations, provide adequate bid preparation time, and adjust quantities, delivery schedules and specifications to increase SADB firm participation in bidding? ☐ YES ☐ NO

6. Does the contractor provide counseling assistance to SADB firms referred to it by the SADBUS and by the SBA representative? ☐ YES ☐ NO Is such counseling effective? ☐ YES ☐ NO

7. Does the contractor provide technical, financial or other assistance to SADB firms? ☐ YES ☐ NO If yes, describe.

8. Does contractor counsel SADB firms as to why they may have failed to receive an award? ☐ YES ☐ NO

9. Does the contractor use DoD, SBA and other source lists to increase bidding opportunities? ☐ YES ☐ NO If yes, are listings used effectively? ☐ YES ☐ NO

10. Does contractor have effective breakout and make or buy programs? ☐ YES ☐ NO Is the SBLO involved in these reviews and decisions? ☐ YES ☐ NO

11. Does the contractor describe the method used in establishing individual contract goals? ☐ YES ☐ NO Is the method satisfactory? ☐ YES ☐ NO Is it detailed in the master plan ☐ or in individual subcontracting plans? ☐

12. Are overhead items included in individual contract goals? ☐ YES ☐ NO If yes, does the contractor have a written procedure as to how these goals are to be allocated to individual contracts? ☐ YES ☐ NO

13. Does the contractor submit SF 295's and SF 294's timely? ☐ YES ☐ NO Are they accurate? ☐ YES ☐ NO

14. Describe method used by SADBUS in verifying accuracy of data reported on SF 294 and SF 295.

15. Does SF 295 contain allocable portions of overhead items as well as performance on individual contracts that do not require plans? ☐ YES ☐ NO

16. Does the contractor prepare and submit separate SF 295's to all Federal Agencies with contracts requiring plans? ☐ YES ☐ NO

17. If contractor has commercial plans, are annual SF 295's accurate *(including breakdowns by Federal Agencies)* and submitted timely? ☐ YES ☐ NO

18. Describe methods used by contractor to monitor performance in meeting goals, including feedback mechanisms.

19. Are there written procedures to implement the program. ☐ YES ☐ NO If yes, are they adequate to assure effective performance? ☐ YES ☐ NO

20. Is contractor making satisfactory progress towards meeting all individual plan subcontracting goals? ☐ YES ☐ NO If no, explain in detail on applicable DLA Form 640A.

21. Check the appropriate box to indicate the records maintained by contractor:
   - ☐ Small and disadvantaged business source lists, guides and other data identifying SADB vendors.
   - ☐ Organizations contacted for small and disadvantaged business sources.
   - ☐ Subcontract solicitations over $100,000, indicating on each solicitation:
     - (1) Whether small business was solicited, and if not why not.
     - (2) Whether small disadvantaged business was solicited, and if not why not.
     - (3) The reasons for the failure of solicited small business or small disadvantaged business to receive the subcontract award.
   - ☐ OUT REACH EFFORTS:
     - ☐ Contacts with Minority and SB Trade Associations, etc.
     - ☐ Contacts with business development organizations, etc.
     - ☐ Attendance at small and minority business procurement conferences and trade affairs.
   - ☐ INTERNAL ACTIVITIES TO GUIDE AND ENCOURAGE BUYERS:
     - ☐ Workshops ☐ Seminars ☐ Training Programs ☐ Monitoring activities to evaluate compliance
   - ☐ Award data to include name and address of subcontractor.
   - ☐ Certifications from Small, Small Disadvantaged, Women Owned, and Labor Surplus Area business concerns.

22. Does the contractor flow-down subcontracting plan clauses as required by its prime contract clauses? ☐ YES ☐ NO If yes, does contractor obtain and review subcontractor plans to assure that a subcontractor's *plan* is in consonance with its own plan ☐ YES ☐ NO

23. Does contractor monitor subcontractor's performance against plan? ☐ YES ☐ NO. If yes, how?

24. Do any individual subcontracting plans contain special features such as an incentive clause to which the above questions do not particularly apply? ☐ YES ☐ NO If yes, describe the special feature and contractor's performance in detail on applicable DLA Form 640A.

25. Does contractor have an acceptable Labor Surplus Area program, including records and reports?
☐ YES ☐ NO

26. Does the contractor recognize its obligation to use its best efforts in awarding subcontracts to women-owned business concerns, as required by DAR 7-104.52? ☐ YES ☐ NO

PART III - REMARKS

(Cross Reference all Remarks to Appropriate Section in this Report)

PART IV - SUMMARY AND RECOMMENDATION

1. Exit interview conducted with contractor representatives ______________________________ on ______________

2. SBA Representative ☐ did ☐ did not participate in this review.

3. Contractor's performance in complying with subcontracting program and individual subcontracting plan requirements is:
☐ Outstanding or ☐ Acceptable *(Summarize basis for either below)* ☐ Marginal ☐ Unsatisfactory

4. If performance is marginal or unsatisfactory, detail reason on DLA Form 640A as appropriate and:
   a. Summarize program or plan deficiencies.

   b. Identify recommendations made to contractor to correct deficiencies.

SMALL AND DISADVANTAGED BUSINESS UTILIZATION SPECIALIST	DATE

REVIEW OF INDIVIDUAL SUBCONTRACTING PLAN
(DLA FORM 640A)

ATTACHMENT B

REVIEW OF INDIVIDUAL SUBCONTRACTING PLAN

1. CONTRACTOR'S NAME

2. CONTRACT NUMBER

3. REVIEW REQUIRED BY:
- a. ☐ REGULAR SCHEDULE
- b. REQUEST FROM:
  - ☐ ACO
  - ☐ PCO
  - ☐ SBA
  - ☐ OTHER

4. TYPE OF REVIEW
- ☐ INITIAL
- ☐ FOLLOW ON REVIEW NUMBER ________
- ☐ FINAL
- ☐ COMMERCIAL PLAN
- ☐ OTHER *(Explain in Remarks)*

5. CONTRACT CLAUSES APPLICABLE
- ☐ DAR 7-104.14*(a)*
- ☐ DAR 7-104.14*(b)*
- ☐ DAR 7-104.14*(c)*
- ☐ DAR 7-104.14*(d)*
- ☐ DAR 7-104.20*(a)*
- ☐ DAR 7-104.20*(b)*
- ☐ DAR 7-104.52
- ☐ OTHER *(Explain in Remarks)*

6. CURRENT CONTRACT

a. VALUES AS OF *(date)*	b. FACE VALUE	c. UNLIQUIDATED OBLIGATIONS	d. FINAL DELIVERY DATE

7. SUBCONTRACTING PLAN GOALS AND PERFORMANCE

SUBCONTRACTS	GOALS		PERFORMANCE		DIFFERENCE + OR —	
	$	%	$	%	$	%
a. TOTAL PLANNED TO BE SUBCONTRACTED		100				
b. TO ALL SMALL BUSINESS						
c. TO DISADVANTAGED BUSINESS ONLY						

8. HAS CONTRACTOR MET ALL GOALS? ☐ YES ☐ NO IF NO EXPLAIN.

9. CONTRACTOR ☐ IS ☐ IS NOT IN OVERALL COMPLIANCE WITH SUBCONTRACTING PLAN REQUIREMENTS. *(If not in compliance, detail reason in remarks)*

10. REMARKS

SMALL AND DISADVANTAGED BUSINESS UTILIZATION SPECIALIST	DATE

DLA FORM MAR 83 **640A**

DEFENSE LOGISTICS AGENCY
SMALL AND DISADVANTAGED
BUSINESS UTILIZATION SPECIALISTS

ATTACHMENT C

DEFENSE LOGISTICS AGENCY

Directory of Small and Disadvantaged Business Utilization Specialists (SADBUS) Assigned at Defense Contract Administration Regions (DCASRs) and Management Areas (DCASMAs) as of 3 April 1984

DCASR ATLANTA (DCRA-BS)
805 Walker Street
Marietta, GA 30060

Telephone:
(404) 429-6195
AUTOVON: 697-6195

SADBUS: Allen Trippeer
Harold Watson

Secretary: Jewell Taylor

DCASMA BIRMINGHAM (DCRA-GBBS)
908 South 20th Street
Birmingham, AL 35256

Telephone:
(205) 254-1460
AUTOVON: 340-1460

SADBUS: (Vacant)

Secretary: Dottie King

DCASMA ORLANDO (DCRA-GOBS)
3555 Maguire Boulevard
Orlando, FL 32803

Telephone:
(305) 896-6113
AUTOVON: 854-9113

SADBUS: Russell B. Neilsen
(Rusty)

Secretary: Juanita Rodriquez

Mr. DeFarest A. Long, Jr.
Gov't of Puerto Rico
Econ. Dev. Adm.
GPO Box 2350
San Juan, PR 00936

Telephone:
(809) 753-6859

NOTE: AUTOVON NUMBERS FOR DEPARTMENT OF DEFENSE USE ONLY.

DCASR BOSTON (DCRB-HPS)
495 Summer Street
Boston, MA 02210

Telephone:
(617) 451-4318
AUTOVON: 955-4318

SADBUS: Edward Fitzgerald

Secretary: Ann Connolly

DCASMA BOSTON (DCRB-DBS)
495 Summer Street
Boston, MA 02210

Telephone:
(617) 451-4109
AUTOVON: 955-4109

SADBUS: Tom Sexton
Vincent Furlong

DCASMA SYRACUSE (DCBB-SBS)
US Court House & Federal Building
100 South Clinton Street
Syracuse, NY 13260

Telephone:
(315) 423-5405

SADBUS: Robert Hunter

Secretary: Madeline Bamonte

DCASMA BRIDGEPORT (DCRB-TBS)
181 Middle Street
Bridgeport, CT 06604

Telephone:
(203) 579-5941

SADBUS: John Melendez

Secretary: Nancy Smith

DCASMA HARTFORD (DCRB-UBS)
96 Murphy Road
Hartford, CT 06114

Telephone:
(203) 722-3336

SADBUS: John Seaver

DCASMA BUFFALO (DCRB-SUBS)
llos Federal Building
111 West Huron Street
Buffalo, NY 14202

Telephone:
(716) 846-4260
(716) 846-4260

SADBUS: Edward Kirchmeyer

DCASR CHICAGO (DCRI-BS)
O'Hare International Airport
P.O. Box 66475
Chicago, IL 60666

Telphone:
(312) 694-6021
AUTOVON: 930-6019

SADBUS: James Kleckner
Norma Thorpe

Secretary: Bonnie Anderson

DCASMA INDIANAPOLIS
(Central & South Indiana) (DCRI-GIBS)
Building 1
Fort Benjamin Harrison, IN 46249

Telephone:
(317) 542-2015
AUTOVON: 699-2015

SADBUS:

DCAS AREA OFFICE (NORTHERN INDIANA)
(DCRI-GIBS)
2015 Western Avenue, Room 426
South Bend, IN 46629

Telephone:
(219) 236-8171
AUTOVON: 930-2564

SADBUS: Farrell Fox

DCASMA MILWAUKEE (DCRI-GMBS)
744 North 4th Street
Milwaukee, WI 53202

Telephone:
(414) 291-4328, Ext. 215
AUTOVON: 824-4328

SADBUS: Edward Kaczmarek

Secretary: Susan Janos

DCASMA CHICAGO (DCRI-GCBS)
O'Hare International Airport
P.O. Box 66911
Chicago, IL 60666

Telephone:
(312) 694-6021
AUTOVON: 930-6021

SADBUS: Charles Duke

DCASR CLEVELAND (DCRO-BS)
Federal Office Building
1240 East 9th Street, Room 1861
Cleveland, OH 44199

Telephone:
(216) 522-5122
AUTOVON: 580-5122

SADBUS: Wilma Combs
Jean Spicer
Mike Isele

Secretary: Ida Gaulden

DCASMA CLEVELAND (DCRO-GCBS)
Federal Office Building
1240 East 9th Street, Room 1431
Cleveland, OH 44199

Telephone:
(216) 522-5446
AUTOVON: 580-5446

SADBUS:

DCASMA DETROIT (DCRO-GTBS)
905 McNamara Federal Building
477 Michigan Avenue
Detroit, MI 48226

Telephone:
(313) 226-5180
AUTOVON: 346-5180

SADBUS: Douglas Koster

Secretary: Sharon Bielinda

DCASMA DAYTON (DCRO-GDBS)
c/o Defense Electronics
Supply Center
1507 Wilmington Pike
Dayton, OH 45444

Telephone:
(513) 296-5150
AUTOVON: 986-5150

SADBUS: Betty Adams

DCASMA GRAND RAPIDS
(DCRO-GGBS)
Riverview Center Building
678 Front Street, NW
Grand Rapids, MI 49504

Telephone:
(616) 456-2620
AUTOVON: 741-8620

SADBUS: Loretta Bumstead

DCASR DALLAS (DCRT-BS)
500 South Ervay Street
Dallas, TX 75201

Telephone:
(214) 670-9205
AUTOVON: 940-1205

SADBUS: Ken Strack
Jerome Anderson
Edyth Bowen
Roger Flores
Irvin Morgan
Robert Sever
Michelle Thomas

Secretary: Virginia Mayes

DCASMA PHOENIX (DCRT-GXBS)
The Monroe School Avenue
215 N. 7th Street
Phoenix, AZ 85034

Telephone:
(602) 241-6177
AUTOVON: 361-6177

SADBUS: Rosalee Kalwara
Clarence Fouse

DCASMA San Antonio (DCRT-GSBS)
615 E. Houston St.
P.O. Box 1040
San Antonio, TX 78294

Telephone:
(512) 229-6711, X-237
AUTOVON: 471-3678

SADBUS: J. J. (Jack) Mangum

DCASR LOS ANGELES (DCRL-BS)
11099 South LaCienega Boulevard
Los Angeles, CA 90045

Telephone:
(213) 643-0620
AUTOVON: 833-0620

SADBUS: S. L. Ganalon
Helmut Karstadt
Robert Berger
Donald Whiting
Ruby Morris
Joseph Chavez

Secretary: Manuela Rubio

DCASMA SAN FRANCISCO (DCRL-GFBS)
1250 Bay Hill Drive
San Bruno, CA 94066

Telephone:
(415) 876-9523
AUTOVON: 466-9523

SADBUS: Robert Lane
Joan Fosbery
Donald Carver

Secretary: Celia Reyes

DCASMA SAN DIEGO (DCRL-GSBS)
4297 Pacific Highway
San Diego, CA 92110

Telephone:
(619) 260-2007
AUTOVON: 957-2007

SADBUS: Robert Hobdy

DCASMA SEATTLE (DCRL-GWBS)
Building 5D
U.S. Naval Support Activity
Seattle, WA 98115

Telephone:
(206) 527-3451
AUTOVON: 941-3451

SADBUS: Alice Toms

DCASR NEW YORK (DCRN-HBS)
201 Varick Street, Room 1061
New York, NY 10014

Telephone:
(212) 807-3050
AUTOVON: 994-3050

SADBUS: John Mulreany
Yvonne Walker

Secretary: Phyllis Catalano

DCASMA NEW YORK (DCRN-NBS)
201 Varick Street, Room 1001
New York, NY 10014

Telephone:
(212) 807-3314
AUTOVON: 994-3314

SADBUS: Gwendolyn Bennett-Clarke
John Castellane

DCASMA SPRINGFIELD (DCRN-SBS)
240 Route 22
Springfield, NJ 07081

Telephone:
(201) 564-8204
AUTOVON: 994-3000

SADBUS: Charles Ferraro
Donald Mondie
Rosemarie Artalie

Secretary: Ruth Ferrel

DCASMA GARDEN CITY (DCRN-GBS)
605 Stewart Avenue
Garden City, Long Island, NY 11530

Telephone:
(516) 228-5724
AUTOVON: 994-5724

SADBUS: Anthony Miele
Frederick Darrah

Secretary: Marie Koenigsdorf

DCASR PHILADELPHIA (DCRP-BS)
2800 South 20th Street
P.O. Box 7478
Philadelphia, PA 19101

Telephone:
(215) 952-4006
AUTOVON: 444-4006

SADBUS: Roger Rhyner

Secretary: JoAnn Reiber

DCASMA PITTSBURGH (DCRP-GPBS)
1610 South Federal Building
1000 Liberty Avenue
Pittsburgh, PA 15222

Telephone:
(412) 644-5926
AUTOVON: 242-5926

SADBUS: Kathryn A. Gabin

DCASMA READING (DCRP-GRBS)
45 South Front Street
Reading, PA 19602

Telephone:
(215) 320-5012
AUTOVON: 444-5012

SADBUS: Thomas Kundsen

DCASMA BALTIMORE (DCRP-GBBS)
300 East Joppa Road
Townson, MD 21204

Telephone:
(301) 321-4884
AUTOVON: 444-4884

SADBUS: Charles Hodson

DCASR ST. LOUIS (DCRS-BS)
1136 Washington Avenue
St. Louis, MO 63101

Telephone:
(314) 263-6617
AUTOVON: 693-6617

SADBUS: Thomas G. Moore

Secretary: Fern McWilliams

DCASMA ST. LOUIS (DCRS-GSBS)
1136 Washington Avenue
St. Louis, MO 63101

Telephone:
(314) 263-6644
AUTOVON: 693-6644

SADBUS: Charles Sackmann

DCASMA DENVER (DCRS-GDBS)
Suite E-3210
701 West Hampden Avenue
Englewood, CO 80154

Telephone:
(303) 837-5256
AUTOVON: 943-5256

SADBUS: Lloyd (Don) Johnson

DCASMA CEDAR RAPIDS (DCRS-GCBS)
4333 Edgewood Road, NE
Cedar Rapids, IA 52402

Telephone:
(319) 399-2211
AUTOVON: 720-7211

SADBUS: Wallace Perkins

DCASMA TWIN CITIES (DCRS-GTBS)
2305 Ford Parkway
St. Paul, MN 55116

Telephone:
(612) 690-8201
AUTOVON: 825-6201

SADBUS: Otto Murray

Secretary: Judy Hanson

DCASMA WICHITA (DCRS-GWBS)
Wichita Mid Continent
Airport Terminal Building
Wichita, KS 67209

Telephone:
(316) 269-7137
AUTOVON: 463-7137

SADBUS: George Luckman

DEFENSE LOGISTICS AGENCY

Directory of Small and Disadvantaged Business Utilization Specialists (SADBUS) Assigned at DLA Service Centers as of 3 April 1984

DEFENSE LOGISTICS SERVICE CENTER (DLSC-AMP)
Federal Center
Battle Creek, MI 49016

Telephone:
(616) 962-6511/X6122 (am)
/X6771 (pm)
AUTOVON: 369-6122 (am)
369-6771 (pm)

SADBUS: Shelley Shipley

DEFENSE TECHNICAL INFORMATION CENTER (DTIC-V)
Cameron Station
Alexandria, VA 22314

Telephone:
(202) 274-6729
AUTOVON: 284-6729

R&D Program Manager: Bernard K. Dennis

DLA ADMINISTRATIVE SUPPORT CENTER (DASC-IS)
Cameron Station
Alexandria, VA 22314

Telephone:
(202) 274-6044
AUTOVON: 284-6044

SADBUS: Lawrence Robinson

DEFENSE INDUSTRIAL PLANT EQUIPMENT CENTER (DIPEC-J)
Memphis, TN 38114

Telephone:
(901) 775-6614
AUTOVON: 683-6614

SADBUS: William Polk

DEFENSE PROPERTY DISPOSAL SERVICE (DPDS-HC)
Federal Center
Battle Creek, MI 49016

Telephone:
(616) 962-6511 Extension 9359
AUTOVON: 369-9359

SADBUS: Tom Anson

DEFENSE PROPERTY DISPOSAL SERVICE OGDEN (DPDS-HC)
P.O. Box 53
Defense Depot Ogden
Ogden, UT 84407

Telephone:
(801) 399-7827
AUTOVON: 790-7827

SADBUS: Carl Thurgood

DEFENSE LOGISTICS AGENCY
Directory of Small and Disadvantaged Business Utilization Specialists (SADBUS) Assigned at DLA Contracting Centers as of 3 April 1984

DEFENSE CONSTRUCTION SUPPLY CENTER (DCSC-J)
3990 East Broad Street
Columbus, OH 43215

Telephone:
(614) 236-3541
AUTOVON: 850-3541

SADBUS: Rosemary Hoehner
Martha Prillerman
Alfred Williams
Flora M. Martin

Secretary: Rosa Hill

DEFENSE ELECTRONICS SUPPLY CENTER (DESC-J)
1507 Wilmington Pike
Dayton, OH 45444

Telephone:
(513) 296-5231
AUTOVON: 986-5231

SADBUS: Robert Castle
Thomas Eycke

Secretary: Mary Whitley

DEFENSE FUEL SUPPLY CENTER (DFSC-AB)
Cameron Station
5010 Duke Street
Alexandria, VA 22314

Telephone:
(202) 274-7428/46326
AUTOVON: 284-7428

SADBUS: Shirley Downes
Diane Rather

Secretary: Tina Gibson

DEFENSE GENERAL SUPPLY CENTER (DGSC-J)
Bellwood, Petersburg Pike
Richmond, VA 23297

Telephone:
(804) 275-3617
AUTOVON: 695-3617

SADBUS: Jack Harvieney
James E. Stanfield

Secretaries: Marjorie Mitchell
Francis Burett

DEFENSE INDUSTRIAL SUPPLY CENTER (DISC-R)
700 Robbins Avenue
Philadelphia, PA 19111

Telephone:
(215) 697-2747
AUTOVON: 442-2747

SADBUS: Thomas Connors
Joan Tobin
Lawrence Massaro
Shirley Strongin

Secretary: Rita Frumento

DEFENSE PERSONNEL SUPPORT CENTER (DPSC-CS)
2800 South 20th Street
Philadelphia, PA 19101

Telephone:
(215) 952-2321
Toll Free: 800-523-0705
AUTOVON: 444-2321

SADBUS: Vera Zappile
Lar Gnessin (Subsistence)
Rita Strassburg (Medical)
Mary Ann Farrell (Clothing)
Earleston (Earl) Hill (Disadvantaged/Women/Owned)

Secretary: Eileen Montgomery

DEFENCE SUBSISTENCE REGION

DEFENSE SUBSISTENCE REGION (DSR-PAC/P) PACIFIC
2155 Mariner Square Loop
Alameda, CA 94501

Telephone:
(415) 869-2051
AUTOVON: 686-2051

SADBUS: David Frank

DEFENSE LOGISTICS AGENCY

Directory of Small and Disadvantaged Business Utilization Specialists (SADBU) Assigned at DLA Depots as of 3 April 1984

DEFENSE DEPOT MEMPHIS (DDMT-HEA)
2163 Airways Boulevard
Memphis, TN 38114

Telephone:
(901) 775-6654
AUTOVON: 683-6654

SADBUS: Martha P. Gault

DEFENSE DEPOT TRACY (DDTC-JDD)
Tracy, CA 95376

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SADBUS: Janet P. Drury

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SADBUS: Marbara Olsen

Admiral **Grinstead**. I would like to go through a few highlights on DLA with you. Some of them are not directly related, but have an impact.

First, DLA is in basically three major mission areas, including the supply support arena, the contract administration arena, and it operates several service centers that support the military services.

First, in the supply area, we manage a lot of small repair parts that are passed to us by the services. There are about 2.3 million items, which is about 55 percent of all items in the Federal catalog data base. DLA receives about 73 percent of all the requisitions that reach the wholesale level of supply in DOD, which amounts to about 30 million requisitions a year. We have six buying centers. The inventory management centers buy and control assigned material. As the result of a new initiative, the services have cataloged over 500,000 of these items to some 500 plus different weapons systems operated and used by the services.

Today, our first priority is competition, and I am making a point of that because I personally believe that competition is going to do more for the small and disadvantaged business program that you are watching over than most things.

In 1983, DLA had an 80-percent competition rate out of a $16 billion procurement program. If you take out the fuel and the clothing and subsistence and get down to spare parts which have received so much attention lately, we have a 65-percent competitive rate.

For fiscal year 1984, we have established a goal for a 5-percent increase. We want to go to 85 percent overall. So far this year we are making that goal.

Now, dealing with the SECDEF spare parts acquisition program that he directed, we have set up competition advocates in every buying center. For the four hardware centers who manage spare parts have provided a supporting structure under them, both in headquarters and in the buying activity. We have added 336 people to our overall buying centers to pursue value engineering, breakout, and price analysis issues.

We have also authorized about 800 employees in the contract administration world which responds to service inquiries on suspected overpricing.

Probably one of the most pressing things that occur today is that we are going straight to the major manufacturers, the original equipment manufacturers and confronting them with requests for the data and manufacturing source which we are missing, and challenging their proprietary rights labels.

So far, I am pleased to tell you we are very encouraged. I think the notoriety of the issue, as displayed in the press, here on the Hill, and pronounced by SECDEF results in findings that the contractors are much more responsive to our demands for the technical and other data that we need to get to the competitive procurement stage.

We also are trying to improve our ability to manage and keep up with the technical data by installing improved repositories for the data resulting in better accountability and faster access.

Now, I would also like to talk to you about results that we were seeing at DLA in the first few months of 1984, the first quarter actuals.

The value engineering program in our world is the most successful program. In 1983, we had an audited savings of over $51 million. Our 1984 goal is $63 million. We also have a plan and are proceeding to train over 1,800 people to be more alert in recognizing the value engineering opportunities.

In the breakout area, we have already broken out 980 items, and we have made a $2.5 million savings. We have given our centers two goals: One on how many items to review; another one is the percentage of those items reviewed that they must break out.

In the standardization area, which offers what I would call a very important upfront area of improvement, is a program whereby the contract requires the prime to deliver to us the anticipated new parts that he proposes to put into a new system.

Last year, we reviewed 557 contracts. They contained 45,000 new items proposed by the contractor, and after comparing them with items already in the system, the services and the contractor agreed to accept items already in the system rather than create new items for the system at a rate of about 23 percent of the 45,000 that we reviewed.

That amounted to a cost avoidance of about $129 million. It is now mandatory policy, as a result of a directive from SECDEF that all major contracts have this requirement in them, where parts control review must be performed, rather than voluntary.

In 1984, through the first quarter, considering breakout, value engineering, and price analysis efforts we have realized a $15.3 million saving.

To give you a further indication of what has happened in the marketplace, we took one center and compared everything bought in 1984 with the same items that were bought in 1983.

We had a match of over 10,000 items. As we compared the prices we paid in 1983 with the prices we paid in 1984, almost two-thirds of them had a price reduction, which says that perhaps the influence of the media and the Hill's attention has caused contractors to shave prices and get tighter on the process. Our biggest problem is inadequate and missing technical data. That is the area that I think our big challenge remains in, and that is what we are pursuing.

Now, let me give you a little history on our buying performance. The buying centers awarded $5.4 billion to small business in 1981, which is 36 percent of the awards; $5.9 billion in 1982, which was 47 percent of the awards, and $6.1 billion in 1983, which is 50 percent of the awards. It says to you we are getting better.

On the set-asides, a similar profile: In 1981, we had a $1.7 billion award; $2.7 billion in 1982; and $2.7 billion in 1983. That is a percent increase of 11 percent in 1981, 22 in 1982, and 22 in 1983. Again, the trend is in the right direction.

For the disadvantaged, in 1981, we awarded $480 million; in 1982, $524 million; and in 1983, $507 million.

The percentages are all going up. The only one that we had trouble with was the women-owned businesses. We had a goal of $90 million in 1983; we accomplished $88 million.

Mr. MITCHELL. Excuse me, just a minute. Could you repeat those disadvantaged business figures again?

You said in 1981 it was $480 million, in 1982; $524 million, and in 1983 $507 million.

Admiral GRINSTEAD. Yes, sir.

Now, let me give you something on top of that that will help you. In 1981, our goal was $409 million; in 1982, our goal was $350 million; in 1983, our goal was $393 million.

Mr. MITCHELL. Yes.

So, you are exceeding your goal?

Admiral GRINSTEAD. Yes, sir. Now, I want to shift to the contract administration area which is more closely aligned to the subcontracting arena.

In the contract administration area, we are monitoring about 320,000 contracts, and they are mostly awarded by the services and some by DLA. It covers about 20,000 plants. They carry a face value of about $160 billion.

Last year, we made $41 billion in payments against deliveries. Fifty percent of those payments were automated. Everything matched up, and the computer did the validation and approved the payment.

We currently carry about a 5-day backlog of invoices on hand, about 2.5 of those are payable. Last year, as you know, we had a law that says pay interest. We paid less than $150,000 interest on late payments due to Government fault.

We took advantage of 99 percent of the discounts. Now, I shift to the subcontracting area here. We covered about 900 major firms that had subcontract plans.

Let me read off to you what actually happened, what the goal was, and what actually happened in 1981, 1982, and 1983. The goal is $6.4 billion in 1981, and we accomplished $7.7 billion. It was 41.8 percent of the awards.

In 1982, we had $8.5 billion goal, and our accomplishment was $7.8 billion, which is 44.6 percent of the awards.

In 1983, we had a goal of $10.3 billion; our accomplishment was $9.3 billion, 46.5 percent of the awards. For the disadvantaged, in 1981, our goal was $246 million; our actual was $257 million. In 1982, our goal was $291 million; our performance was $277 million. In 1983, the goal was $304 million; our performance was $302 million. The percentage rate is about the same. In 1981, it was 1.4; in 1982, 1.6; and in 1983, 1.5.

Now, I would like to just tick off a few of the enhancement actions we have taken to improve our performance in this area. We have increased since you have passed the bill, a number of specialists in this by 27. We have gone from 95 to 120.

We have been a part of 380 conferences in 1982 and 1983. We had 84,000 attendees, and 141 of these conferences were sponsored by 133 Members of Congress.

We have currently picked out 2,000 target items for competition we have given to the small business people. We also have put up display centers where they can come in and look at these items, and even buy one of them.

We have tested use of toll-free numbers. We have put a toll-free number at one of our buying centers and at one of the DCASR contract administration regions, where small business can call in for assistance, tollfree. If it works well, we will spread it to the rest of the buying centers and the regional offices.

We have a very aggressive outreach program, and we have gone very heavy into the clothing area. We have currently identified some 26,000 contractors that can potentially help us spread the competition.

We have also hosted meetings—and this is something I think is very important—with the major contractor associations, and sat down and kicked around new and better ways to subcontract, to get their attention, to get their attitudes, and I would have to tell you that we are not displeased with the results.

We have established awards for excellence, both for major contractors and for our DLA people. One final point I would like to make to you. One of our service centers is a repository for all research and development studies that have been done in the past that are going on currently, or are planned.

We have made a special effort to establish a program to facilitate, helping small business get to this data, bring them into the high-tech area; and we are getting very good response. I think they are very pleased with it. That concludes my testimony, and I will be ready for any questions.

Mr. MITCHELL. Thank you very much, Admiral Grinstead.

And I thank all of you gentlemen.

Let me indicate that the idea of including in the performance evaluation the individual person, how far along they have come in terms of subcontracting opportunities is a good one, I think General Weiss, you have indicated that you have established incentive provisions or incentive awards.

I guess I have to raise a very fundamental question: If we have a law, why do we give an incentive for complying with the law?

General WEISS. Well, the incentive provision is to the prime contractor. Most of our contracts are firm, fixed price, and the incentive provides an opportunity for that prime contractor to earn a greater profit, as well as to stimulate and use possibly some of those incentive dollars to help facilitate a small, a small disadvantaged company, to get on his feet, or her feet, to do the job.

We find incentives are effective if used carefully. We think that we are doing that. We have not gotten through the performance appraisal period yet for any of the prime contractors, but we see some great interest, and we see a weariness within the prime contractor to go further than the basic intent of the law.

Mr. MITCHELL. I understand.

General WEISS. This is a development of——

Mr. MITCHELL. I understand clearly what you are saying. It really is a kind of a problem area for me. I have not stolen Congressman Daub's watch yet, and I do not intend to do it.

Mr. DAUB. I will give it to you, Mr. Chairman.

Mr. MITCHELL. On the other hand, I do not expect to be rewarded for not having stolen it, because there is a law that says you are not suppose to steal.

Mr. DAUB. In that case, I will not give it to you.

Mr. MITCHELL. Very seriously, I do have a serious concern about giving incentives, monetary incentives or any other kind of incentive for complying with the law. I think you begin to do some strange things.

What is the amount of the incentive, on the average?

General **Weiss**. Usually, the incentives are small dollars, in the thousands of dollars.

Mr. **Mitchell**. $10,000?

General **Weiss**. I would imagine in that category. I can give you some examples for the record, but they are small dollar values. We look at an award-fee contract that provides an incentive. It is kind of a report card. It gives an opportunity for the contracting officer or supervisor to meet with company management and look at how the company is doing to implement selected areas under the terms of the contract. It is a reward. It is a bonus for succeeding, what is normally acceptable, and set fairly high standards for this.

Mr. **Mitchell**. I am not going to belabor the point. You can understand or I hope you understand my concern with this incentive award.

General **Weiss**. Yes, well——

Mr. **Mitchell**. I think we get into a very strange posture in this country, when we start rewarding people for complying with the law.

Admiral Grinstead, you have increased your breakout significantly. Am I to assume that which is broken out is primarily aimed at small and small disadvantaged businesses?

Admiral **Grinstead**. Yes, sir, because, as I told you, we went from 36 percent to small business in 1981 to 50 percent in 1983, and I think you can soon see that trend improve. It is almost automatic for the type items we buy.

Mr. **Mitchell**. Admiral Sansone, in your testimony, you indicated that the Navy has done exceedingly well, since the law went into effect in 1981, but it really went into effect in 1978.

Admiral **Sansone**. Yes, sir, I understand.

Mr. **Mitchell**. What happened between 1978 and 1981?

Admiral **Sansone**. My statement, I highlighted the statistics for that period of time, Mr. Chairman. I could provide those statistics for earlier periods and submit them for the record.

[Additional information follows:]

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	X	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

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The following data covers Section 8(a) awards by DARCOM for FY 83. There were 458 awards with a value of $232,791,923.

T & K Machine	$380,989	
Cima Machine and Tool	$83,916	
A & S Tribal Industries	$9,077,726	
A & S Tribal Industries	$6,429,000	
Devils Lake Sioux	$23,830,500	
A & S Tribal Industries	$1,744,344	
De Forest Wood Products	$185,750	
Unified Industries	$85,633	
Tech Associates, Inc.	$237,462	
Accudata Systems Co.	$601,992	(9 contracts)
Amex Systems, Inc.	$13,825,306	(5 contracts)
Arral Industries	$3,307,428	(5 contracts)
AVW Electronic Systems, Inc.	$621,971	(7 contracts)
Bar-Pat Mfg. Co. Inc.	$177,087	
Besafa, Inc.	$95,114	(2 contracts)
Bravo Mfg. Co.	$333,530	(5 contracts)
Colsa, Inc.	$315,000	(3 contracts)
D. G. Robinson Corp.	$99,333	
Falls Janitorial Service	$3,040,336	(5 contracts)
Hartec Enterprises, Inc.	$108,084	(2 contracts)
Hurt	$160,529	(3 contracts)
JWM Corp.	$657,173	(4 contracts)
Kalispel Metal Prod.	$75,539	(2 contracts)
New Technology, Inc.	$1,444,612	(37 contracts)
Oklahoma Aerotronics Inc.	$161,788	
Republic Mgmt. Systems	$281,188	(4 contracts)
Roselm Electronics, Inc.	$31,426	
Scitek	$836,330	(3 contracts)
Sonicraft, Inc.	$280,043	(3 contracts)
Southern Technology	$224,968	
Syncor Industries	$89,611	(2 contracts)
Triad Micro Systems, Inc.	$989,673	(14 contracts)
Multi Services Inc.	$269,185	
Car-Ted Industries	$41,000	
Metro Boston	$91,800	
AMAF Industries	$75,197	
Multi Services Inc.	$27,473	
Multi Services Inc.	$59,484	
Eastern General Contractors	$47,600	
Eastern General Contractors	$158,633	
Val-Tronics Inc.	$608,440	
Bar Pat Mfg. Co.	$87,070	
Multi Services Inc.	$160,060	
ADCOR	$11,827,490	
Sonicraft	$64,942	
Univox	$220,824	
Superior Engrg	$17,182	

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☐	SENATE		☐	SENATE		☐	SENATE	
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Inter Systems	$92,367.
Mobility Systems	$9,240
Omar McCall & Assocs.	$104,900
Capital Systems	$278,396
Input Output	$526,601
Carltech Assocs.	$10,212
Mobility Systems	$49,999
General Software	$39,219
Mobility Systems	$75,000
ISN	$160,000
Automated Business	$454,698
Technology Applications	$96,939
Network Solutions	$720,470
Technology Applications	$52,085
Logical Technical	$148,645
Superior Engrg	$2,917,455
Superor Engrg	$727,454
OAO	$178,000
DeForest Wood Procusts Mfg. Co.	$86,588
Turtle Mountain Mfg. Co.	$8,293,458
Central Mfg. Corp.	$79,650
California Power Systems, Inc.	$323,718
Hartec Enterprises, Inc.	$82,086
Welbilt Electronic Die Corp.	$3,756,939
Medley Tool and Model Co.	$59,309
Newton Private Security Guard and Patrol Service, Inc.	$215,733
Welbilt Electronic Die Corp.	$6,497,500
Rainey Fabricating Co.	$99,004
Rainey Fabricating Co.	$39,443
Jambor Tool & Stamping Co.	$47,227
PECO Enterprises, Inc.	$665,764
Central Mfg. Corp.	$32,130
PECO Enterprises, Inc.	$365,766
PECO Enterprises, Inc	$662,677
Martinez and Sons, Inc.	$40,800
PECO Enterprises, Inc.	$75,079
Martinez, Inc.	$45,339
PECO Enterprises, Inc.	$292,901
American Development Corp.	$340,620
Medley Tool and Model Co.	$42,326
California Power Systems, Inc.	$272,747
Central Manufacturing Corp.	$60,925
Central Manufacturing Corp.	$391,593
American Development Corp.	$259,995
Turtle Mountain Mfg. Co.	$241,141
A-MAC Sales & Builders, Inc.	$42,460
PECO Enterprises, Inc.	$57,240
PECO Enterprises, Inc.	$88,560
Original Construction Co, Inc.	$48,700

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☐	SENATE		☐	SENATE		☐	SENATE	
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Welbilt Electronic Die Corp.	$28,013	
Turtle Mountain Mfg. Co.	$1,414,239	
Martinez, Inc.	$31,271	
PECO Enterprises, Inc.	$64,800	
PECO Enterprises, Inc.	$48,600	
Turtle Mountain Mfg. Co.	$933,539	
Welbilt Electronic Die Corp.	$4,238,600	
ACE Home & Office Cleaning Inc.	$244,984	
DL & J Cleaning Service Co.	$1,588,204	
Dutch Boys Cleaning Service, Inc	$465,093	(2 contracts)
TechDyn Systems Corp.	$51,149	
IMR Systems Corp	$112,076	
IMR Systems Corp	$300,000	
Unified Industries	$87,368	
Sonicraft Inc.	$46,689	
Contract Systems Assoc	$826,020	
Contract Systems Assoc	$193,660	
Apoca Industries, Inc.	$1,604,605	
Syncor Industries, Inc.	$1,809,775	
LTH Systems, Inc.	$210,000	
TechDyn Systems Corp	$88,379	
Val Tronics Inc.	$153,923	
Sys & Applied Sciences	$1,000,000	
Zelco Magnetics Corp.	$28,458	
Medley Tool & Model Co.	$320,780	
Medley Tool & Model Co.	$558,216	
IMR Systems Corp.	$257,937	
Unified Industries, Inc.	$49,273	
Unified Industries, Inc.	$58,419	
Unified Industries, Inc.	$88,525	
Unified Industries, Inc.	$25,895	
Unified Industries, Inc.	$25,792	
Sonicraft	$3,155,870	
TechDyn Systems Corp.	$600,000	
Medley Tool & Model Co.	$1,557,976	
Johnson Textile & Plas	$312,263	
Unified Industries, Inc.	$49,273	
Unified Industries, Inc.	$58,419	
Unified Industries, Inc.	$88,525	
Unified Industries, Inc.	$25,895	
Medley Tool & Model Co.	$558,216	
Medley Tool & Model Co.	$320,780	
Sonicraft	$59,954	
Medley Tool & Model Co.	$37,939	
American Dev Corp	$44,606	
Medley Tool & Model Co	$37,939	
Unified Industries Inc.	$86,000	
Unified Industries Inc.	$30,695	
Unified Industries Inc.	$26,234	
Tele-Signal Corp	$36,290	

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Baltimore Elec Assoc	$912,000
TechDyn Systems Corp	$141,981
Systems & Applied Sci	$2,000,000
Sparatec, Inc.	$80,831
Dunn & Sons Maint	$583,216
IMR Systems Corp	$100,000
Sonicraft Inc.	$60,420
Medley Tool & Model	$1,100,800
Input/Output Computer Services	$71,966
Progress Aerospace Ent	$351,618
IMR Systems Corp	$227,000
Techdyn Systems Corp	$163,974
Techdyn Systems Corp	$613,647
Sonicraft Inc.	$62,088
Dunn & Son Maint Corp	$26,539
Dunn & Son Maint Corp	$1,023,088
Unified Industries Inc.	$85,000
Medley Tool & Model	$112,610
US Small Bus Admin	$154,540
Unified Industries Inc.	$30,936
TechDyn Systems Corp	$405,407
Handy Painting & Sandblasting	$60,796
Adams Janitorial Svc.	$315,840
Minority Enterprise Svc. Assoc.	$210,477
Wizard Maintenance	$705,468
Jan Fan Enterprises, Inc.	$85,000
Chappell & Dyer Concrete Co.	$65,428
Clarkie's Inc.	$577,699
Thomas Maintenance	$331,202
AMAF	$200,000
AMAF	$96,000
AMAF	$11,734
AMAF	$79,476
Cartech Associates	$27,098
Duroyd Manufacturing	$35,352
Duroyd Manufacturing	$110,500
Evanbow Construction	$1,447,240
Kaib Tech	$34,642
Pettiford & Pettiford	$63,000
Pettiford & Pettiford	$76,965
Pettiford & Pettiford	$60,000
Pettiford & Pettiford	$56,548
Phelps Protection Agency	$93,545
Philadelphia Distributors	$132,500
Raymond Brothers	$106,000
Dyna East	$50,000
Rivera Construction	$42,300
Rivera Construction	$89,999
Rivera Construction	$111,325
Systems & Applied Sciences Corp	$89,494

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Systems & Applied Sciences Corp	$48,000
Systems & Applied Sciences Corp	$57,850
Systems & Applied Sciences Corp	$310,473
Systems & Applied Sciences Corp	$97,202
Systems & Applied Sciences Corp	$136,380
Systex, Inc	$81,759
Science & Technology Corp	$153,844
Science & Technology Corp	$25,000
Science & Technology Corp	$223,865
Chronometrics, Inc.	$271,244
Microwave Semiconductor Corp	$139,660
AMEX Systems, Inc	$1,615,000
AMEX Systems, Inc	$46,561
AMEX Systems, Inc	$125,417
Concon, Inc.	$40,000
Systems Planning Corp	$300,000
Systems Planning Corp	$259,657
Techdyne Systems	$88,461
Techdyne Systems	$65,579
Inframetrics, Inc	$94,525
OAO Corp	$415,539
Scientific Tech. Assoc	$89,694
System Planning Corp	$206,000
Techdyne Systems	$41,594
Techdyne Systems	$68,219
Comcon, Inc.	$75,000
OAO Corp	$400,000
Comcon, Inc.	$74,990
Statistica, Inc	$99,423
AMAF Industries	$89,630
Sterling Systems, Inc	$36,350
AMAF Industries	$89,942
LTH Systems, Inc	$501,909
IMR Systems Corp	$471,974
Tech. Applications	$40,178
Len Parker Associates, Inc.	$419,605
Tech. Applications, Inc.	$12,151
Information Systems	$97,298
Techdyne Systems	$563,091
Wilson Hill Assoc	$130,585
Wilson Hill Assoc	$28,736
Wilson Hill Assoc	$24,152
Quest Research, Corp	$50,000
Sterling Systems	$54,437
NSI	$47,000
Univox California, Inc.	$1,678,273
Tech. Applications, Inc.	$31,830
Sterling Systems	$44,826
AMAF Industries	$308,180
Tech. Applications, Inc	$56,245
Techdyne Systems Corp	$141,498

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Tech. Application, Inc	$196,548
Management Training Systems	$48,000
Commonwealth Tech., Inc	$40,000
Systems Architects, Inc.	$54,921
Time and Space Proc., Inc	$124,606
OAO Corp	$222,000
Farrand Optical Co., Inc	$42,941
Fermionics Corp	$270,000
Omar McCall	$99,900
OAO Corp	$178,000
Fermiconics Corp	$70,000
Sol-Mart Janitorial Svc.	$420,947
Box-T	$193,000
Tuskeegee Lumber Co.	$103,338
Tuskeegee Lumber Co.	$95,230
Tuskeegee Lumber Co.	$165,567
Tuskeegee Lumber Co.	$59,446
Falls Janitorial	$390,696
Arcata Assoc.	$1,200,384
Contract Systems Assoc.	$45,357
All Shine	$217,817
Cam Sports, Inc.	$150,340
Cam Sports, Inc.	$46,832
Cordova Construction	$225,486
Balimoy Mfg. Co. of Venice	$61,689
Cima Mach. and Tool Co., Inc.	$83,432
John Fan Enterprises	$36,750
Chavis Tool and Mfg.	$26,946
Penaroke Mach. Co.	$28,735
Kirit Shah, Inc.	$9,406
Walker's Royal, Inc.	$3,148,944
Williamson & Son Janitorial Svc	$323,500
Contract Security Svc	$1,670,536
Duroyd Mfg. Co.	$4,261
Applied Precision Optics	$101,491
Martinez & Sons, Inc.	$179,075
Penbroke Mach. Co.	$49,619
Pace Dev. Inc.	$1,200,000
Del Mfg. Co.	$7,579,420
Rainey Fabricating Inc.	$94,641
Del Mfg. Co.	$18,740
PECO Enterprises, Inc.	$100,000
PECO Enterprises, Inc	$875,000
Rainey Fabricating Inc.	$85,177
Applied Precision Optics	$169,411
United Chem-Con Corp.	$399,091
Balimoy Mfg. Co. of Venice	$662,465
United Chem-Con Corp	$126,855
Cima Mach & Tool Co., Inc	$187,660
Martinez & Sons, Inc	$206,680
Pace Dev. Inc	$66.000

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☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☒ HOUSE ☐ SENATE	OTHER House Small Business Committee	
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Pace Dev. Inc	$12,545
Del Mfg. Co.	$71,260
Del Mfg. Co.	$4,244,538
Del Mfg. Co.	$1,413,015
Abbott Prod.	$33,848
Penbroke Mach. Co.	$56,496
Duroyd Mfg. Co.	$1,484,118
Balimoy Mfg. Co. of Venice	$304,452
Pace Dev. Inc.	$19,846
United Chem-Con Corp	$28,637
Pace Dev. Inc	$5,000
Pace Dev. Inc	$28,034
United Chem-Con Corp	$98,497
Balimoy Mfg. Co., of Venice	$55,828
Pace Dev. Inc.	$8,000
United Chem-Con Corp.	$129,498
Balimoy Mfg. Co., of Venice	$75,628
PECO Enterprises, Inc.	$300,000
PECO Enterprises, Inc.	$667,000
Cima Mach. & Tool Co. Inc.	$135,564
Penaroke Mach. Co.	$27,436
T and K Mach.	$3,374
Wil-Jo Mfg. Co.	$4,248
Maintenance Pace Setters	$607,926
Interlab Inc.	$5,100
M and H Mfg. Co.	$4,903
M and H Mfg. Co.	$4,544
Norris Mach. and Tool	$47,101
Medley Tool and Model	$65,554
Wil-Jo Mfg., Inc.	$153,560
Norris Mach. and Tool	$35,765
Maintenance Pace Setters	$28,857
M and H Mfg. Co. Inc.	$36,951
Cima Mach & Tool Co., Inc.	$51,602
Digma Mfg. Co.	$2,130
Penaroke Mach. Co.	$43,281
Medley Tool and Mach Co.	$26,372
Jampor Tool and Stamping	$35,053
Arlington Painting & Const. Co	$115,000
Broken Lance Enterprises	$1,312,923
Druid Electric & Gas Contrac.	$58,800
Modgraph	$203,400
Systems & Applied Sciences Corp	$258,303
Rivera-Cotty Corp	$87,980
Days Cleaning Svc	$56,454
Velco Construction Co.	$92,884
Ramirez Floor Covering	$49,868
Maya Construction Co.	$243,554
Mike Simpson DDA, Simpson Con Co	$183,913
Maldonado Construction Co	$33,030
Sun Eagle	$81,958

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	X	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

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Maldonado Construction Co.	$23,424
Monaco Contractors Inc.	$549,764
Mike Simpson DDA, Simpson Con Co	$82,789
Monaco Contractors Inc.	$248,808
Jar Concrete Inc.	$65,000
Chronometrics Corp	$65,000
Roof Buildfrs Inc.	$64,000
Chronometrics Corp	$271,000
Gonzales Landscaping Co.	$206,000
Brooks Sheet Metal Co.	$256,000

Total number of contracts awarded under Section 8(a) for FY81, 82, 83 - 1341
Total $ Value, FY81, 82, 83 - $771,721,299

INSERT FOR THE RECORD

☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☒ HOUSE ☐ SENATE	OTHER House Small Business Committee	
HEARING DATE 5 April 84	TRANSCRIPT PAGE NO. 69	LINE NO. 1515	INSERT NO.			

The following data covers Section 8(a) awards by DARCOM for FY 1982. There were 454 awards with a value of $264,744,282.

A&S Tribal Ind.	$12,925	
Cima Machines	$512,268	
A&S Tribal Ind.	$41,729	
Devils Lake Sioux	$488,911	
T&R Inc.	$240,899	
A&S Tribal Ind.	$377,600	
Devils Lake Sioux Mfg.	$3,484,960	
A&S Tribal Ind.	$1,556,800	
Devils Lake Sioux Mfg.	$2,850,000	
A&S Tribal Ind.	$630,000	
Devils Lake Sioux Mfg Corp.	$3,469,200	
Deforest Wood Products	$191,077	
Abbott Products, Inc.	$99,469	
Technoassociates, Inc.	$127,657	
Huntsville United Research & Technology	$29,325	
Accudata Systems Co.	$3,739,924	(22 Contracts)
Amex Systems, In.	$34,145,686	(21 Contracts)
Arral Industries	$6,056,209	(9 Contracts)
AVW Electronic Systems, Inc.	$803,477	(12 Contracts)
BAR-PAT Mfg. Co., Inc.	$129,551	(3 Contracts)
Bravo Mfg. Co.	$334,272	(8 Contracts)
Falls Janitorial SVC	$3,333,406	(5 Contract)
Hartec Enterprises	$10,246	
Hurt	$183,480	(3 Contracts)
JWM Corp.	$271,825	(3 Contracts)
New Technology, Inc.	$3,080,668	(28 Contracts)
Pembroke Machine Co.	$16,000	
SCITEK	$583,734	(3 Contracts)
Sonicraft, Inc.	$73,192	(2 Contracts)
Triad Microsystems, Inc.	$4,679,828	(8 Contracts)
Multi Services, Inc.	$25,637	
Multi Services, Inc.	$10,325	
Multi Services, Inc.	$17,091	
Multi Services, Inc.	$191,042	
Computer Engineering Asso.	$35,284	
Car-Ted Industries	$12,199	
Computer Engineering Asso.	$29,914	
Computer Engineering Asso.	$27,458	
Multi Services, Inc.	$89,800	
Computer Engineering Asso.	$12,364	
Car-Ted Industries	$147,070	
Rayco Painting	$66,250	
Car-Ted Industries	$689,337	
SGI	$36,253	
Omar McCall & Asso.	$19,937	
Inter Systems	$120,219	
Mobility Systems	$78,454	

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☒	HOUSE
☐	SENATE		☐	SENATE		☐	SENATE

OTHER House Small Business Committee

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
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Omar McCall & Asso.	$43,897
CSI	$425,387
Inter Systems	$33,540
ISN	$215,575
Carltech Asso.	$23,194
Input Output	$655,910
Omar McCall & Asso.	$45,850
ADCOR	$18,857,835
Sonicraft	$179,185
Superior Engrg.	$3,469,353
TDC	$470
Univox	$34,234,327
Omar McCall & Asso.	$59,709
ISI	$96,709
OAO	$484,988
Sam Gonzales	$10,989
PECO Enterprises, Inc.	$517,130
Welbuilt Electronic Die Corp.	$34,200
PECO Enterprises, Inc.	$439,826
Hartec Enterprises	$38,665
PECO Enterprises, Inc.	$550,322
Welbuilt Electronic Die Corp.	$$6,503,150
PECO Enterprises, Inc.	$224,865
Genco Tool and Engineering Co.	$281,056
Cima Machine and Tool Co.	$99,741
Welbuilt Electronic Die Corp.	$26,550
Welbuilt Electronic Die Corp.	$1,001,040
Welbuilt Electronic Die Corp.	$294,869
Medley Tool and Model Co.	$47,568
Newton Private Security Guard and Patrol Services, Inc.	$206,018
Raloid Machine Corp.	$47,450
Cima Machine and Tool Co.	$58,805
Cima Machine and Tool Co.	$77,252
Rainey Fabricating, Inc.	$138,447
Welbuilt Electronic Die Corp.	$17,100
A-MAC Sales and Builders, Inc.	$49,206
PECO Enterprises, Inc.	$86,118
Bryant Electric Company, Inc.	$24,545
S.W. Williams Painting Contractors	$56,889
American Development Corp.	$113,204
Welbuilt Electronic Die Corp.	$8,401,050
PECO Enterprises, Inc.	$40,283
Cima Machine and Tool Co., Inc.	$36,792
PECO Enterprises, Inc.	$214,307
Bearden Construction, Inc.	$12,060
Sonicraft	$1,374,387
Sonicraft	$2,772,992
Tele-Signal Corp.	$48,692
Sonicraft	$717,062

INSERT FOR THE RECORD

☐ ☐	HOUSE SENATE	APPROPRIATIONS COMMITTEE	☐ ☐	HOUSE SENATE	ARMED SERVICES COMMITTEE	☒ ☐	HOUSE SENATE	OTHER House Small Business Committee

HEARING DATE 5 April	TRANSCRIPT PAGE NO. 69	LINE NO. 1515	INSERT NO.	

Medley Tool & Model Co.	$262,833
Medley Tool & Model Co.	$39,960
American Development Corp.	$1,316,520
American Development Corp.	$1,712,037
TechDyn Systems Corp.	$38,328
TechDyn Systems Corp.	$41,496
Input Output Computer Svcs.	$12,678
Tele-Signal Corp.	$933,990
Medley Tool & Model Co.	$1,943,243
TechDyn Systems Corp.	$142,470
Medley Tool and Model Co.	$800,000
Medley Tool & Model Co.	$39,360
Medley Tool & Model Co.	$1,575,800
Tele-Signal Corp.	$84,532
National Urbanonics Engr/Elec.	$597,829
Unified Industries Inc.	$49,995
Baltimore Electronics Asso.	$200,000
IMR Systems Corp.	$1,064,300
Tele-Signal Corp.	$87,712
Unified Industries Inc.	$50,791
Unified Industries Inc.	$43,694
TeleDyn Electronics	$28,637
Dunn & Son Maint. Corp.	$89,799
Unified Industries Inc.	$17,224
Progress Aerospace Ent.	$1,316,520
Techdyn Systems Corp.	$200,179
Dunn & Son Maint. Corp.	$950,000
Techdyn Systems Corp.	$460,519
Johnson Textile & Plastic Co.	$34,243
JWM Corporation	$21,281
Unified Industries Inc.	$10,889
Inter System Inc.	$461,663
Unified Industries Inc.	$16,515
AMEX Systems	$600,000
Unified Industries Inc.	$40,000
Syncor Industries Corp.	$844,753
Medley Tool & Model Co.	$459,340
Unified Industries, Inc.	$40,000
Dunn & Sons Maint. Corp.	$19,431
Syncor Industries Corp.	$922,880
Medley Tool & Model Co.	$184,011
Input Output Computer Svc.	$260,000
Unified Industries Inc.	$29,102
Tele-Signal Corp.	$115,934
Unified Industries Inc.	$34,727
Monroe Wire & Cable Corp.	$11,417
Techdyn Systems Corp.	$107,000
Tele-Signal Corp.	$136,532
Unified Industries Inc.	$95,736
Unified Industries Inc.	$26,000
Dunn & Sons Maint. Corp.	$266,000
Dunn & Sons Maint. Corp.	$13,293

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☒	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
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Sonicraft, Inc.	$1,426,072	
Sonicraft, Inc.	$21,504	
TechDyn Systems Corp.	$48,481	
Dunn & Sons Maint. Corp.	$209,000	
Dunn $ Sons Maint. Corp.	$475,000	
Sparatec, Inc.	-$4,450,000	
Progress Aerospace Ent.	$395,275	
Baltimore Electronics Asso.	$26,919	
Input-Output Computer Svcs	$80,000	
Ace Home & Office Clng. Svc.	$123,547	
DL & J Clng. Svc.	$1,125,453	
JJ Navarpo, Inc.	$161,761	(2 Contracts)
Dutch Boys Clng Svc.	$426,830	
Hills Janitorial Svc.	$197,064	
Handy Painting & Sandblasting	$491,798	(2 Contracts)
Minority Enterprise Svc. Asso.	$827,886	
Wizard Maintenance	$473,186	
J & J Paving	$902,925	
Thomas Maintenance	$272,513	
Fletcher & Sons, Inc.	$319,600	
Clarkie's Inc.	$499,500	
J & J Company	$57,711	
A to Z Maintenance	$64,296	
Computer Base Systems	$161,341	
Cordoba Construction	$31,772	
AMAF	$146,395	
AMAF	$185,000	
AMAF	$315,372	
Cordoba Construction	$54,100	
Cordoba Construction	$73,026	
Dunn & Sons	$1,260,595	
Dunn & Sons	$532,987	
Dunn & Sons	$443,965	
Duroyd Manufacturing	$264,264	
Dyna East	$102,383	
Ebon Services	$1,218,997	
Evanbow Construction	$469,352	
Evanbow Construction	$89,000	
PECO Enterprises	$82,192	
Pettiford & Pettiford	$45,925	
Pettiford & Pettiford	$687,000	
Pettiford & Pettiford	$358,800	
Pettiford & Pettiford	$76,950	
Pettiford & Pettiford	$738,000	
Raymond Brothers	$85,296	
Raymond Brothers	$69,000	
Raymond Brothers	$129,605	
Raymond Brothers	$225,000	
Raymond Brothers	$125,938	
Rivera Construction	$164,381	
Rivera Construction	$85,799	

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☒	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
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C.H. Saunders	$180,000	
Systems & Applied Sciences Corp.	$892,510	
Systems & Applied Sciences Corp.	$173,609	
Systems & Applied Sciences Corp.	$493,753	
SOL-MART Janitorial Svc.	$380,898	
Info. Systems	$215,575	
Ravens Systems	$60,394	
Carltech Associates	$23,194	
Computer Aided Corp.	$24,950	
Fermionies Corp.	$100,000	
Omar McCall & Asso.	$18,200	
Aerodyne Res. Corp.	$22.964	
QAO Corp.	$24,000	
Sonicraft	$18,740	
QAO Corp.	$484,988	
Omar McCall & Asso.	$48,096	
Wilson Hill Associates	$111,372	
Wilson Hill Associates	$57,361	
Wilson Hill Associates	$95,670	
Wilson Hill Associates	$48,100	
TECOM, Industries	$74,900	
Sterling Systems	$575,724	
Cambex Corp.	$19,008	
Wilson Hill Asso.	$29,046	
Wilson Hill Asso.	$100,180	
Wilson Hill Asso.	$37,068	
Wilson Hill Asso.	$57,305	
MISSO Service Corp.	$90,000	
Wilson Hill Asso.	$20,665	
Wilson Hill Asso.	$68,109	
Wilson Hill Asso.	$19,363	
AMAF	$97,639	
KDI Precision Product Co.	$145,891	
GTE Products Corp.	$38,053	
Techdyne Systems	$28,450	
Systematics General Corp.	$19,939	
Exotech, Inc.	$48,039	
Concord, Inc.	$95,000	
Techdyne Systems	$28,418	
Techdyne Systems	$25,000	
Solar American, Inc.	$48,891	
Calif. Measurement Co.	$23,277	
Science & Technology	$151,961	
Pinson Associates, Inc.	$12,710	
Citadel Enterprises	$160,000	
T.E. & S Roofing	$111,000	
Falls Janitorial	$329,910	
ARCATA Asso.	$10,007,358	(5 Contracts)

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☒	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

HEARING DATE 5 April 84	TRANSCRIPT PAGE NO. 69	LINE NO. 1515	INSERT NO.	

United Maintenance	$36,707	
Kass Management	$576,230	(3 Contracts)
All Shine	$205,266	
Broken Lance	$86,866	
CM Construction	$309,352	
Kyle Machine Works Inc.	$24,368	
John Fan Enterprises	$23,479	
Norris Mach. and Tool Co.	$29,900	
Value Precision, Inc.	$23,507	
Jambor Tool and Stampings	$17,312	
Value Precision, Inc.	$28,333	
Win Ind.	$1,799	
Cima Machine and Tool	$61,871	
Norris Mach. and Tool Co.	$32,652	
Value Precision, Inc.	$40,018	
Jambor Tool and Stamping	$17,840	
Contract Security Service	$1,538,113	
Williamson & Williamson Janitorial Svc.	$26,264	
Williamson & Williamson Janitorial Svc.	$286,236	
Construction Asso. Inc.	$73,925	
Rainey Fabricating Inc.	$60,529	
AVW Electronics Systems, Inc.	$19,440	
Contronics, Inc.	$1,206	
Martinez & Sons, Inc.	$528,071	
Raloid Machine Corp.	$15,635	
Raloid Machine Corp.	$65,072	
Abbott Prod.	$2,948,659	
Raloid Machine Corp.	$17,427	
DEL Mfg. Co.	$8,198,400	
AVW Electronics Systems; Inc.	$22,630	
Abbott Prod.	$31,881	
Chicago Uniform Mfg. Co.	$186,736	
PECO Enterprises, Inc.	$24,795	
Applied Precision Optics	$82,611	
Martinez & Sons, Inc.	$113,462	
Chicago Uniform Mfg. Co.	$46,314	
Duroyd Mfg. Co., Inc.	$547,360	
Chicago Uniform Mfg. Co.	$76,653	
H.F. Henderson Ind.	$1,828,200	
Pace Dev. Inc.	$71,042	
Pace Dev. Inc.	$73,300	
H.F. Henderson Ind.	$436,275	
Pembroke Machine Co.	$29,383	
PECO Enterprises, Inc.	$61,500	
Wil-Jo Mfg., Inc.	$2,319,000	
Martinez & Sons, Inc.	$384,239	
American Dev. Corp.	$72,301	
Martinez & Sons, Inc.	$127,801	
Pace Dev., Inc.	$38,492	

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	X	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

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DEL Mfg. Co.	$15,479	
Rainey Fabrications, Inc.	$35,148	
Applied Precision Optics	$40,466	
H.F. Henderson Ind.	$83,100	
Duroyd Mfg. Co., Inc.	$2,597,952	
Chicago Uniform Mfg. Co.	$431,513	
PECO Enterprises, Inc.	$337,000	
Chicago Uniform Mfg. Co.	$368,966	
Walker's Royal, Inc.	$3,008,032	
Medley Tool & Model Co.	$19,840	
Maintenance Pace Setters, Inc.	$580,193	
Pembroke Machine Co.	$22,901	
Wil-Jo Mfg., Inc.	$5,743	
Jambor Tool and Stamping	$16,249	
Capdevilla Machine	$8,000	
M & H Mfg. Co.	$1,527	
Broken Lance	$1,018,779	
Cotton Construction Co.	$59,992	
Druid Electric & Gas Cont.	$32,378	
E.G. & G. ORTEC	$21,916	
MISSO Service Corp & Asso.	$15,873	
J. Norman Otto Co., Inc.	$12,960	
Robert Clay, Inc.	$347,839	
NAKA Industries	$2,100,000	
Andrulis	$3,000,000	
United Maintenance	$216,258	
VELCO Construction Co.	$165,067.41	
Hernandez Electric	$167,731.70	
VELCO Construction Co.	$64,701.11	
McKenzi Painting Co.	$447,744.97	
AMEX Systems, Inc.	$1,035,000	
Brooks Sheet Metal	$33,000	
Chronometerics Corp.	$80,000	
Joe Carrijal, Contractor, Inc. .	$11,000	
Cortez III Service Corp.	$736,000	
Crues Transit Mix	$88,000	
Welbilt Electronic Die Corp.	$27,719,600	
TOTAL:	$264,744,282	(454 Contracts)

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☒	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

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The following data for the record lists awards under Section 8(A) by DARCOM during fiscal year 1981. There were 429 awards with a value of $292,185,094.

Progress Aerospace	$15,837	
United Ind	$12,900	
United Ind	$21,500	
United Ind	$30,100	
A&S Tribal	$776,000	
Devils Lake Sioux	$5,478,700	
Rainey Fabricators, Inc	$93,751	
Unified Ind	$22,500	
Unified Ind	$35,000	
Unified Ind	$35,000	
A&S Tribal Ind	$91,197	
Devils Lake Sioux	$2,856,250	
Devils Lake Sioux	$482,763	
A&S Tribal Ind	$1,412,000	
Unified Ind	$35,000	
Unified Ind	$486,802	
Unified Ind	$35,000	
West Electronics	$365,400	
A&S Tribal Ind	$5,869,200	
Devils Lake Sioux	$21,860,400	
Technassociates, Inc	$48,780	
Abbott Products, Inc	$81,998	
Huntsville United Rsch & Tech	$38,365	
Huntsville United Rsch & Tech	$45,831	
Accudata Systems Co	$5,854,256	(26 contracts)
Amex Systems, Inc	$26,692,973	(2 contracts)
Arral Ind	$3,476,870	(6 contracts)
AVW Electronic Sys Inc	$1,206,293	(10 contracts)
Bar-Pat Mfg Co, Inc	$86,679	
Falls Janitorial Svc	$3,018,213	(11 contracts)
Huntsville United Rsch, Inc	$40,000	
Jacqueline Howell, Inc	$125,206	
JWM Corporation	$1,032,974	(6 contracts)
Kalispel Metal Prod	$17,717	
King Electronics	$75,313	
Kyle Machine Wks, Inc	$516,650	(4 contracts)
New Technology, Inc	$2,013,831	(19 contracts)
Pembroke Machine Co	$185,184	(3 contracts)
Sonicraft, Inc	$296,884	(3 contracts)
Triad Microsystems, Inc	$1,950,181	(9 contracts)
Computer Engineering Ass	$77,015	
AMAF	$44,928	
Rayco Painting	$31,500	
Computer Engineering Ass	$76,311	
Multi Services Inc	$85,724	
Car-Ted Industries	$280,236	

INSERT FOR THE RECORD

☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	X HOUSE ☐ SENATE	OTHER House Small Business Committee
HEARING DATE 5 April 84	TRANSCRIPT PAGE NO. 69	LINE NO. 1515	INSERT NO.		

Rayco Painting	$11,680	
Esca Tech	$-1,670	
ADCOR	$9,915,911	
IBS	$4,817	
Raven Data	$59,125	
SGI	$3,012	
TDC	$30,650	
Sonicraft	$85,257	
Superior Engrg	$6,030,299	
Unified Ind	$949,618	
Univox	$11,069,516	
Omar McCall & Assocs	$15,000	
Logical Technical	$-47,707	
Ramsay	$16,170	
Sonicraft	$120,956	(inclds 5 mods)
Southwest Machine	$65,000	
OAO	$226,796	
Omar McCall & Assocs	$13,907	
Logical Technical	$53,624	
Logical Technical	$157,528	
Turtle Mtn Manufacturing Co	$2,103,467	
Medley Tool & Model Co	$64,141	
Accudata Systems, Inc	$27,802	
Welbilt Electronic Die Corp	$3,226,521	
Rainey Fabricating & Upholstery	$464,587	
Accudata Systems, Inc	$12,684	
Welbilt Electronic Die Corp	$704,126	
Rainey Fabricating & Upholstery	$118,682	
PECO Enterprises, Inc	$1,051,100	
PECO Enterprises, Inc	$100,000	
Rainey Fabricating & Upholstery	$95,706	
Terrell Tool Company	$38,610	
Terrell Tool Company	$20,461	
Cima Machine & Tool	$99,741	
Jambor Tool & Stamping	$49,111	
Medley Tool & Model Co	$40,982	
Welbilt Electronic Die Corp	$1,032,000	
Bearden Construction Co, Inc	$49,507	
Welbilt Electronic Die Corp	$185,706	
Systems Architects, Inc	$169,958	
Welbilt Electronic Die Corp	$829,440	
Newton Private Security Guard Patrol Services, Inc	$214,122	
Welbilt Electronic Die Corp	$34,000	
Ace Home & Office Clng, Inc	$134,725	
Dutch Boys Clng Svc, Inc	$404,327	
Camdelphia, Inc	$51,000	
Hills Janitorial Svc	$797,490	
Prout Industrial Clng	$2,259	
TechDyn Systems Corp	$20,000	

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	☒	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
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Valtronics, Inc	$1,128,290
Baltimore Electronics Associates, Inc	$1,109,250
Sparatec, Inc	$29,374
TechDyn Systems Corp	($48,850)CR
TechDyn Systems Corp	$20,000
Car-Ted Industries	$667,900
Monroe Wire & Cable Corp	$7,894,914
Dunn & Sons Maint Corp	$950,000
TechDyn Systems Corp	$1,256,648
Medley Tool & Model Co	$2,708,090
Car-Ted Ind	$58,500
King Electronics, Inc	$52,711
TechDyn Systems Corp	$1,084,000
JBN Co	$155,325
Sparatec Inc	$258,607
TechSyn systems Corp	$805,000
Sparatec, Inc	$1,091,309
American Development Corp	$310,000
TechDyn Systems Corp	$20,000
TechDyn Systems Corp	$226,342
United Ind, Inc	$27,600
TechDyn Systems Corp	$20,000
Unified Ind, Inc	$31,484
Unified Ind, Inc	$53,519
Unified Ind, Inc	$22,687
TechDyn Systems Corp	$18,160CR
Medley Tool & Model Co	$2,824,640
TechDyn Systems Corp	$18,250
Unified Ind, Inc	$103,160
Dunn & Sons Maint Corp	$24,162
TechDyn Systems Corp	$15,000
Unified Ind, Inc	$39,957
Unified Ind, Inc	$95,563
Unified Ind, Inc	$40,980
Unified Ind, Inc	$90,327
Unified Ind, Inc	$33,394
Unified Ind, Inc	$14,862
Unified Ind, Inc	$28,681
Unified Ind, Inc	$20,047
Unified Ind, Inc	$17,624
Unified Ind, Inc	$26,413
Unified Ind, Inc	$81,659
Unified Ind, Inc	$28,125
Medley Tool & Model Co	$1,400,000
Tele-Signal Corp	$828,457
Sparatec, Inc	$4,450,000
Medley Tool & Model Co	$3,096,539
Unified Ind, Inc	$16,676
Unified Ind, Inc	$15,930

INSERT FOR THE RECORD

☐	HOUSE	APPROPRIATIONS COMMITTEE	☐	HOUSE	ARMED SERVICES COMMITTEE	X	HOUSE	OTHER House Small Business Committee
☐	SENATE		☐	SENATE		☐	SENATE	

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
5 April 84	69	1515		

Unified Ind, Inc	$31,200
Inter Systems, Inc	$1,169,514
Sonicraft, Inc	$22,497
Baltimore Electronics	$36,243
Apoca Industries	$74,400
Systems and Applied Sciences Corp	$16,000,000
Input-Output Computer Svcs	$35,000
TechDyn Systems Corp	$300,000
Input-Output Computer Svcs	$95,000
Tele-Signal Corp	$14,663
IMR Systems Corp	$866,273
Input-Output Computer Svcs	$80,563
APOCA Ind, Inc	$80,000
Input-Output Computer Svcs	$60,000
Input-Output Computer Svcs	$[illegible]0,000
OAO Corp	$47,401
Tele-Signal Corp	$811,360
Baltimore Electronics, Inc	$1,759,381
Tele-Signal Corp	$182,400
Medley Tool & Model Co	$1,070,600
Baltimore Electronics, Inc	$879,458
Sonicraft, Inc	$1,848,323
Sonicraft, Inc	$923,926
TechDyn Systems Corp	$177,125
Handy Painting & Sandblasting	$84,052
Adams Janitorial Svc	$279,706
Minority Enterprise Svc Ass	$496,328
Wizard Maint	$98,000
World Wide Packaging	$825,000
J&J Paving	$443,973
Len Parker Asso Inc	$74,767
Pak-Well, Inc	$163,792
Steve General Contractor	$176,650
Len Parker Assoc	$74,767
Pak-Well, Inc	$163,792
Steve General Contractor	$176,650
Raloid Machine	$17,417
Raloid Machine	$17,982
Rivera Construction	$56,652
Rivera Construction	$63,856
J. G. Salas	$76,100
J. G. Salas	$390,000
J. G. Salas	$87,220
Sparatec	$2,140,739
Systems & Applied Sciences Corp	$800,000
Accudata systems	$208,665
AMAF	$14,558
AMAF	$90,000

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☐	HOUSE SENATE	APPROPRIATIONS COMMITTEE	☐	HOUSE SENATE	ARMED SERVICES COMMITTEE	X	HOUSE SENATE	OTHER House Small Business Committee

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
5 April 84	69	1515		

Andrulis	$215,497
Andrulis	$76,054
Balimoy Manufacturing Co	$47,305
Cordoba Construction	$283,541
Cordoba Construction	$21,547
Cordoba Construction	$60,709
Cordoba Construction	$267,889
Cordoba Construction	$234,455
Cordoba Construction	$85,500
H. P. Connor Co	$63,697
Dunn & Sons	$1,344,607
Dyna East	$46,503
Ebon Svcs	$1,173,760
Henderson Ind	$1,201,705
JBN Co	$46,894
Kaib Tech, Inc	$19,484
Mobility Systems & Eqpmnt	$95,012
Pettiford & Pettiford	$55,000
Pettiford & Pettiford	$55,000
Pettiford & Pettiford	$50,650
Pettiford & Pettiford	$64,000
Pettiford & Pettiford	$18,500
Pettiford & Pettiford	$140,000
Pettiford & Pettiford	$173,870
Pettiford & Pettiford	$97,270
Pettiford & Pettiford	$57,920
Pettiford & Pettiford	$83,880
Sol-Mart Janitorial Syc	$291,885
Microwave Semiconductor Corp	$713,230
TechDyn Systems	$60,000
Scientific Tech Assoc	$16,770
Scientific Tech Assoc	$44,953
APOCA Ind, Inc	$9,106,828
TechDyn Systems	$26,345
Science & Tech Corp	$101,349
Las Cruces Mach Co	$15,790
Science & Tech Corp	$101,349
Science & Tech Corp	$16,245
Microwave Res Corp	$20,350
Microwave Res Corp	$17,480
Larkman Electro Optics	$35,300
Cornus Systems, Inc	$20,000
Deleward Valley Mach Co	$77,538
P. L. Associates	$22,200
MISSO, Inc	$437,150
Cornus Systems, Inc	$19,998
P. L. Associates	$10,200
Tamar Products	$11,760
Federal Data Corp	$11,991
Wilson Hill Associates	$62,322

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☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☒ HOUSE ☐ SENATE	OTHER House Small Business Committee

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
5 April 84	69	1515		

Balimoy Mfg co, Inc	$1,593,790
Abbott Prod	$35,214
Williamson & Son Janitorial Svc	$270,000
Contract Security Svc	$1,742,858
Contract Security Svc	$31,392
Norris Mach & Tool Co	$42,700
Norris Mach & Tool Co	$34,835
Centurion Ind	$1,363
H. J. Benedict	$1,315
Norris Mach & Tool Co	$11,777
Genco tool & Eng	$16,623
Centurion Ind	$1,403
Southeast Mach Co	$22,900
M&H Mfg Co	$2,063
Duroyd Mfg Co, Ind	$211,320
Capdavilla Mach	$1,415
GCM Prod	$1,222
Herman English & Sons	$83,920
Raloid Mach Co	$2,147
GCM Prod	$8,622
Win Ind	$1,268
Walker's Royal, Inc	$2,791,716
Larry's Svc Co	$257,995
J&L Janitorial	$3,249,749
Executive Window & Building Cleaners	$20,950
Ward Electronic Svcs	$18,511
Office Cleaners, Inc	$52,806
Arlington Painting	$60,104
Druid Electric Co	$22,000
Franza L. Darby Construction Co	$102,000
Beneco	$206,941
United Maintenance	$308,505.02
Veltri & Sons Roofing	$303,281.60
Ramirez Floor Covering	$32,458.08
Lone Star Sanitary Svcs	$87,000
Cortez III Svc Corp	$23,000
Brooks Sheet Metal Co	$266,000
Allied Svc Co	$157,000

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☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☒ HOUSE ☐ SENATE	OTHER House Small Business Committee

HEARING DATE	TRANSCRIPT PAGE NO.	LINE NO.	INSERT NO.	
5 April 84	69	1515		

Wilson Hill Associates	$65,954
Wilson Hill Associates	$107,382
Wilson Hill Associates	$44,974
CBSI	$24,351
Tuskeegee Lumber Co	$40,000
Falls Janitorial	$221,422
Arcata Assoc	$10,100,000
All Shine	$180,500
Broken Lance	$125,000
OM Construction Co	$165,243
Anathon Corp	$44,484
Rainey Fabricating, Inc	$106,291
Rainey Fabricating, Inc	$66,206
Win Ind	$11,276
United Chem-Con Corp	$158,438
Win Ind	$1,123
Raloid Mach Co	$8,355
Win Ind	$2,955
Adelph, Inc	$12,793
United Chem-Con Corp	$64,652
Rainey Fabricating, Inc	$32,973
Peco Enterprises, Inc	$1,000,000
Abbott Prod	$31,934
Abbott Prod	$3,869,856
Pace Dev, Inc	$1,657,591
Raloid Mach Co	$2,454
United Chem-Con Corp	$154,594
Win Ind	$2,154
Chicago Uniform Mfg Co	$130,332
Rainey Fabricating, Inc	$101,106
Accudata Systems, Inc	$886,034
Cima Mach & Tool Co, Inc	$97,853
Win Ind	$2,571
AVW Electronics Systems, Inc	$41,610
Del Mfg Co	$7,440,000
Raloid Mach Co	$2,155
Peco Enterprises, Inc	$100,000
Peco Enterprises, Inc	$28,000
Abbott Products	$4,775,128
Raloid Mach Co	$2,189
Pace Dev	$1,394,721
Abbott Prod	$5,028
United Chem-Con Corp	$347,750
Pace Dev, Inc	$30,000
United Chem-Con	$96,682
Peco Enterprises, Inc	$93,000
American Dev Corp	$3,088,080
Pembroke Mach Co	$200,194
Pace Dev, Inc	$30,000
Duroyd Mfg Co, Inc	$1,130,806

Admiral **Sansone** [continuing]. I was not trying to conceal a bad trend. I highlighted that period of time and worked the statistics forward.

Mr. **Mitchell**. All right.

Admiral **Sansone**. But I would be happy to submit those for the record, sir.

Mr. **Mitchell**. No, that is all right. I do not need those. I just was concerned that maybe after the law went into effect, the Navy did absolutely nothing.

Admiral **Sansone**. No, sir.

When the law went into effect, the Navy was aware of it, and did implement it, Mr. Chairman, and it is my error in just selecting those periods of time to highlight those statistics to you.

Mr. **Mitchell**. I think also, Admiral, in your testimony, you indicated that you did not meet your subcontracting goals for small disadvantaged business.

As I said earlier, this has been the problem, and I cited the report from last year. More and more we see the agencies coming close to goals in terms of small businesses, and more and more we see the agencies falling behind in terms of their goals for small disadvantaged businesses.

I have served under four Presidents.

Admiral **Sansone**. Yes, sir.

Mr. **Mitchell**. Each of those Presidents indicated in a given point of his career, his tenure in office, that the goal for small disadvantaged businesses was *x*, and each of those four Presidents has failed to meet the goal. Failed to meet their goal.

Now, you've failed to meet your goal. Can you explain to me why you did not meet your goal?

Admiral **Sansone**. Mr. Chairman, maybe I have somehow or another confused the issue. May I read to you our small disadvantaged awards for the period 1978 through 1983?

Mr. **Mitchell**. Yes.

Admiral **Sansone**. I will read them, first, as a total against the goal.

Now, in 1978, sir, for small disadvantaged awards, $175.3 million against a goal of $148. In 1979, performance of $267.9 million against a goal of $270. In 1979, we missed our goal by about $2 million, sir.

Mr. **Mitchell**. Yes.

Admiral **Sansone**. In 1980, our total performance of $315.6 million against a goal of $461 million. In 1981, our total was $429 million against a goal of $475 million. In 1982, a performance of $469 million against a goal of $400 million. In 1983, a performance of $620.5 million against a goal of $605 million.

Mr. Chairman, it looks like the trend in our total awards is in the right direction. We have missed our goal, however in those 6 years, if I view this correctly, sir, we have missed our goal twice.

Mr. **Mitchell**. All right. When you miss your goal, what do you do, and what steps do you take to ensure that future goals will be met?

Admiral **Sansone**. There is one very stringent thing that we do. In recognizing the activities, they either made their goal, or did not make their goal, and there is a letter report that my office does put out, and it usually goes out under the Four-Star signature, Chief of Naval Material; and those reports go to the systems commands, based on their performance. Where the performance is good, we say so. Where the performance is terrible, we say so, and we ask them to continue to dedicate all efforts to improving. We ask for explanations as to why they didn't meet the goal. What they have done in their activities to improve their performance.

We look at the resources that they have dedicated to the achievement of the goals, and look at the opportunities that they have availed themselves to improve.

That is all a matter of the dialog between our systems commands, in terms of reports, letter reports, to the Chief of Naval Material. We are quick to identify good performers and bad performers, and we say so, sir.

Mr. MITCHELL. Now, based on your testimony, that works to some degree because you had only 6 cases out of 6,585 that were not in compliance. Is that correct?

Admiral SANSONE. In the subcontracting area, that is correct, Mr. Chairman.

Mr. MITCHELL. What did you do with the "Baddies?"

Admiral SANSONE. Well, we did reconcile four of them to the satisfaction of all parties concerned, and I am sorry to report to you, Mr. Chairman, I cannot comment on the other two at this time. We are still working those.

I hope those will be resolved as well.

Mr. MITCHELL. I have a few more questions.

General Weiss, in your testimony, you stated that a number of deficient Air Force plans for fiscal year 1981 was 118. For fiscal year 1982, it was 170; and for fiscal year 1983, there were 214. What is going on? If I am reading your testimony correctly, the deficiencies are going up. Why?

General WEISS. The number of overall contract actions are going up, sir. So, we see an increase in the number of plans that are reviewed by the SBA, and our small business people have increased slightly.

But when we get into and start working these plans, we ultimately have got agreement as to goals and the content of the plan.

I see that the number, the increase is kind of a function, of the total contract award.

Mr. MITCHELL. Well, in short, in the best of all worlds, General Weiss, it seems to me that you have increased the number of contracts that you awarded, you would almost simultaneously want to be decreasing the deficiencies; is that not right?

General WEISS. Well, the base is going up. Our objective is to decrease the deficiency, but you have new companies that are coming into business, doing business with us, and we are finding that the numbers have jogged around between 170 and the 266.

Mr. MITCHELL. What do you do with those who are deficient?

General WEISS. We meet with the contractor, the contracting officers calls a meeting with the contractor.

Mr. MITCHELL. Yes; then what do you do?

General WEISS. We review with the contractor the areas that we feel are deficient, the Small Business Administration representative is usually present, and the contractor is asked to correct the deficiency, or to explain his logic as to why he feels that his plant has to be that way.

All the cases we have been able to correct the deficiency to the mutual satisfaction of the small business rep and ourselves.

Mr. MITCHELL. Well, that sort of flies in the face of another portion of your testimony.

Now, we are dealing with the completed contracts, and in your testimony you indicated dealing with just the completed contracts that did not meet their goals. In fiscal year 1981, it was 5; in fiscal year 1982, 34; and in fiscal year 1983, 41; that is increasing.

Now, this is not why we are still in the negotiating stage and the massaging stage. The contract is over. It is done, and the goals were not met.

First of all, how do you permit a contract to be completed without the goals being met?

How do you explain that?

General WEISS. Well, it is a subjective goal that was established many years before, based upon what the opportunity, what we anticipated the opportunity would be for small business, small disadvantaged business awards.

When you look at the large number of contractors that achieve their goals, that is a fairly small percentage.

Now, I could take the tack; I do not think it is problem. Maybe we set the goals too high, but I am one who believes in high goal setting, because I think you get more reach on the part of a contractors' organization if goals are set too high.

Mr. MITCHELL. What worries me is, what happens to what I assume are your genuine efforts, which have resulted in goals being met by other contractors?

What happens when they learn the 1983 guys—41 guys in 1983 did not meet their goals. They got the contract finished. Does that not say to the guy who is trying, "Why should I knock myself out?"

Don't you see that damage that is being done there?

General WEISS. Oh, I understand that. I can see that. We monitor these contracts on a quarterly basis, and we watch the contractor's ability, you know, in awarding subcontracts to the small disadvantaged firms.

I do not think we are, you know, showing a trend, to anyone else. We are tough on the administration of these——

Mr. MITCHELL. From 5 to 34 to 41?

General WEISS. We went up to 180 contracts completed in 1983.

Mr. MITCHELL. Yeah.

General WEISS. Some of those contracts in 1983 could have been entered into in the mid to late seventies.

We have been putting much more emphasis on goal setting; and I just can't tell you that we—that we allowed those contractors to complete those contracts, you know, in an arbitrary matter. We try to stress it.

But trends don't materialize 4 years before you can complete a contract, when you pick a goal. It is tough to goal set. This is where you get into a lot of judgmental kind of factors.

Mr. MITCHELL. There is nothing judgmental about Public Law 95-507, is it?

General WEISS. Well——

Mr. MITCHELL. It is clear; it is explicit. It says that you cannot sign off on their contract unless there is an approved plan for the utilization, right?

General WEISS. Yes, sir.

Mr. MITCHELL. That is not judgmental.

Then, it just seems to be that I am right in saying if 81 guys or 41 guys do not comply with the law, it is not your goal that is the law, then we have got difficulty.

General WEISS. But it is a goal that was established upon entering into a contract.

Mr. MITCHELL. Yes.

General WEISS. That period could have been 4, 5, or 6 years earlier. Conditions change, and it is a goal. We are complying with the law, and we make note of companies, sir, who do not meet their goals at completion, and this is recorded in trends, so that if we receive trends, we can take corrective action.

Mr. MITCHELL. What sort of corrective action?

General WEISS. Well, we would consider the factor in source selection. We consider it in terms of working with the contractor, to try to, you know, highlight if there is an adverse trend, would highlight it to the contractor's management and escalate until the problem is resolved.

Mr. MITCHELL. Let me ask one more question, and then I'll yield to Mr. Daub. I have to give you a little background on this.

During the Carter administration, I had a meeting with representatives from the Departments of the Navy, Army, and so forth. They were doing a lot of advertising, for recruiting and other purposes, and we found that none of the minority media was used for the advertising, so we had to jump into that. What was obviously unfair on its fact.

Now, you gentlemen have awarded contracts for advertising in 1981, 1982, and 1983. Did those advertising contracts have acceptable subcontracting plans?

General WEISS. Your staff asked about one contract yesterday on advertising and we checked into that; I don't have a copy of the contract yet, we're getting it for your folks but it was a contract to a company called Darcy & McMannis. In looking at the subcontract plan—and this is by reviewing peoples' records over the phone—we don't have the documents yet, we're going to get them, but we have found that the subcontracting subcontracts amounted to almost 13 percent of subcontracting that was accomplished.

Mr. MITCHELL. Thirteen percent of your total advertising?

General WEISS. Of the subcontracts, yes sir.

Mr. MITCHELL. Mr. Daub.

Mr. DAUB. Thank you, Mr. Chairman. I'm sorry I didn't get here right at the beginning of the hearing, Mr. Chairman, I think I would have enjoyed it.

I had said in the first hearing of the three hearings that I wanted to participate with interest because I believe the law is a good one. My examination of all of the data and records, which goes back, Mr. Chairman, to the first set of hearings that you and this committee held, when the defense department wasn't doing a very good job at all before this law was put on the books.

You notice a marvelous increase in the thresholds of improvement, and I like what the General said just a minute ago, about the fact that goal setting should be high. It ought to be realistic but it ought to be stretch oriented and I notice that as you read the trends over a period of say 1978 to 1980, by in large you see the threshold of Federal activity aimed at small and small and disadvantaged business to be improved.

So I appreciate the nature of these hearings. I appreciate the demeanor of the witnesses who've been before us so far because you come with an attitude that's positive and you come with an attitude of clearly sincere commitment to try to achieve the meaning behind the mandate of the law.

I might point out, incidentally, Mr. Chairman, when I took off my watch a little prematurely that I was thinking about the fact our statute authorizes the payment of incentives, and that the senior corps executive bonus program exists for Federal civil servants who are otherwise paid quite well for doing their jobs, that we do have other bonus programs like—I see SBA choking over there—but I notice that we have medicare and medicaid and foodstamp bonus programs to the States for administering well and efficiently those programs.

So I guess somewhere along the line Congress has made the judgment about that and I think what the Chairman was asking you General, is do you think it's a good idea. I asked the same question in the absence of the chairman in the first hearing: Do you really think they work?

General **Weiss**. Well we haven't completed, sir, any of the incentives on small business awards yet. I will be able to tell you in about a year how they work. We've used incentives on other contractual performance parameters, such as reliability, maintainability, they improve durability. In those areas we find that they do work. We used it in developing an alternate product from a company to compete with his own product.

He picked a follower and it did work there and it does work, so in the small business area, I don't have an experience base, but as you said, the law does provide for it and we're testing it.

Mr. **Daub**. Anyone else want to comment on that just in terms of your experience so far?

Admiral **Sansone**. I would only comment, Mr. Congressman, that it is a little premature and the reports are not all in covering these contracts. The Navy has currently 52 contracts with incentives in them, and as soon as the costs are totally in, and the performance is totally in, then we'll be able to tell whether the incentives work.

Mr. **Daub**. In the same contracts, do you have penalties written in as well?

Admiral **Sansone**. Well, in any incentive contract, the penalty is you don't make the incentive.

Mr. **Daub**. But nothing quite the opposite, though, for example, the fact if you don't deliver or if you don't meet, that you're actually going to lose a margin of your profit or you don't get a contract for a 2-year period thereafter? Or something like that?

Admiral **Sansone**. Well, not the latter but the former. In all of our incentive contracts, there is an incentive on cost sharing above and below the targets in the incentive arrangement. Yes; it is a penalty and it's hard to say that word because you don't like to say it's a penalty. It is a loss of profit or a gain of profit depending upon how he manages the incentive and his performance against it.

Mr. DAUB. I know I made the silly mistake when I was a young neophyte here of introducing a bill to eliminate the incentive of $11 million. I thought that was a significant amount of money in eliminating the bonus program for senior corps executives in Federal civil service.

I didn't get any cosponsors. I didn't reintroduce the bill either. I'm fascinated by the comment that was made relative to the colloquy made with the chairman on contracts that ended up being finally finished but yet not in compliance. Is it like, for example, a road being built and the contractor finishes the job and the road is good, I mean it meets standards and the specs for the concrete are right and everything's OK, but maybe they finished 1 to 3 days late or they didn't have as many women or minorities on the job as they should have. I mean how do you finish a contract and yet still not be in compliance?

You said the goal may have been too high. Well what part of the goal or what led you to close out a contract and then list it in the statistics as not in compliance? Was it a goal that wasn't met and if it was, what kind of a goal was it, just generally speaking?

General WEISS. Well, it was a goal in terms of the amount of dollars that should have been awarded.

Mr. DAUB. Underneath the general contract?

General WEISS. Underneath the subcontract.

Mr. DAUB. All you're trying to point out is that particular general contract didn't reach a dollar quota in the subcontracting out to small and/or small and disadvantaged business?

General WEISS. That's absolutely right.

Mr. DAUB. All right. I wanted the record to show that.

Now, what bothers me about all of these quotas and goals is that sometimes we may end up not seeing the forest through the trees. That we worry so much about it. I remember when I came here, one of the most startling figures or descriptions given to me, was how much of Pentagon business went at no bid.

Admiral, your comment, about the fact that maybe competition ultimately, as we marry these programs together, may be the best for everybody. It's going to give small and disadvantaged businesses a chance to learn and grow to get a piece of the action, if you will. At the same time it's going to become more efficient for the Government and save tax dollars. I don't know what the figure was, maybe 60 percent of all Pentagon contracts or even higher than that which went at no bid.

We started examining why and it turned out in my Government operations subcommittee that I served on, that people didn't want to do business with the Government. Either there was too much paperwork or too much hassle or sometimes too much oversight. The fact of the matter is compliance was difficult for a lot of reasons that were sort of mandated that didn't seem to have much to do with the concrete being poured.

We found out that you had to tool up, the learning curve was too long, you got your equipment on board, you hired your people, trained them, and you lost the contract a year later because it wasn't multiyear or systemwide procurement. So I think that you are giving us some courage when you indicate that you're able to manage this program underneath the weight of that criticism.

Do you find that's the problem; is there any criticism leveled at this program from the people you do business with, because of what I've just said?

General WEISS. Well, industry finds it very expensive, very time consuming, and that's why, you know, I made the recommendation and Admiral Sansone made it also, that we try to go to a single goal for subcontracting with small business and subcontracting with small disadvantaged business, at a given contract location or division.

Then I would like to see on major programs a subgoal where the contractor can on a very large hundred million dollar threshold program, you establish a supplemental goal for small and small disadvantaged business.

The problem now is, in a given plant, like a company such as Boeing, you may have 300 goals because they have 300 active contracts. Then under these active contracts as an example, under General Dynamics with an F-16, we have 400 changes, modifications to the contract, that are over $500,000 that have in addition required a separate subcontracting plan. So when you look at the magnitude of all of these, you lose leverage because you're talking about individual goals under one contract, when we ought to be talking about the total contractors' efforts to increase his level of small business subcontracting and small business subcontracting with disadvantaged firms.

Mr. DAUB. Well, I appreciate your contribution to the record on that point, but let me tell you that it might just be, and I'm being very candid with you now, what you just said might also create a problem. It seems to managers of these programs that we're more interested in the dollar goals going up every year. Your explanation may ultimately beg the issue that I'm more concerned about as one Member of Congress.

I'm more interested in the number of businesses and the number of minority employees within those businesses, that get the opportunity to work and learn and grow, than I am necessarily how many businesses or how many dollars or how many percentages of increase or decrease you had in the year that was economically healthy or the year that was economically not healthy.

I think we get caught up in your church and your figures too much and we loose sight of the ultimate purpose of subcontracting for minority and for the disadvantaged firms.

So, I would like each of you to submit for the record, and I asked the panelists in the first hearing for the same information, and I know you don't have it now so I would like you to do this, from 1978 forward, the number of companies that totally were able to take advantage of the small and disadvantaged category only. I'm not interested in small business to that total extent; I don't want to put you through the ropes on those figures.

I want the number of small businesses that were disadvantaged in that category that got business and how many of them were repeaters each year for each year until now.

In other words, I'm suspecting, I'd like to think that what we're doing is getting more and more minorities and women and disadvantaged economically individuals trained and into the learning curve and up through this small business avenue into majority contracting activity. I'm not so concerned about the percentages or dollars. I want them to grow but I want it to be a meaningful growth and I don't want you out there just filling quotas and shortchanging them and the Government at the same time.

I'd like to see if we end up having too few businesses, same old businesses, year in and year out get the job, or if we're bringing in new people. Is a happy vice president quitting his minority firm and starting his own company? And because he learned the ropes, he now employs 30 people and he's getting some business.

Is there a growth process or are we just cycling people through the same numbers in the same departments, particularly in the Defense Department. Those figures, if you'll provide them, will help me understand that. Do you see my point, Mr. Chairman?

I'm interested in whether or not we're creating a little class of minority and disadvantaged businesses that trade on the system and cycle the business, and we're not maybe because of our narrow commitment to goal raising, getting other businesses involved in this process of taking advantage of the mandates of the law and the Executive orders that are the subject of this oversight hearing, and I would I realize that that may be a rather extensive request, and I hope I'm wrong, that these figures don't show a rather stagnant number of individual businesses taking advantage and fulfilling and getting larger and larger shares of the dollars of your increases in your goals, but not more businesses and more employees, getting to share in the exposure to the availability of that subcontracting process that you are involved in.

Admiral, did you have anything that you wanted to add to what the general said about goals and quotas?

Admiral GRINSTEAD. Well, I would have to say that I understand what's bothering you and it's worth looking at for sure. I do support what they said about having a plan for a company, because maybe you ought to let us try it. You can look at a dozen companies and watch their trends over time, we can't watch their trends as a company as a corporate entity, and that's what you need to watch to see whether they are making the commitments.

We are seeing lots of little pieces but we don't see a whole corporate trend and it may be worth giving it some tests.

Mr. DAUB. Well, I'm going to look and see if I see lots of little pieces showing up in lots of places and that may mean that ultimately we're not seeing too many total numbers of companies expand and get into the activity of this business. You may learn the ropes and you may not really see much alteration, that the increased dollars are going to the same firms. Does anyone else have anything to say? Mr. Chairman, thank you for the time.

[The agencies have indicated that they cannot supply the information requested by Mr. Daub.]

Mr. MITCHELL. Thank you very much and thank you for being here. I too have a request, I don't know why I am so intensely interested in this advertising business except perhaps it's, the black media, minority media that beseige me all the time about exclusion.

I'd like very much to get the agency awards from each of you for your advertising services for 1980, 1981, 1982, and 1983. Give me a brief explanation on the subcontracting plans for each one of those contracts.

Second, Mr. Daub and I are awfully good friends and we're together most of the time; I am very much concerned about his concern on whether the same companies are getting all of the business as we increase the goals. I think, to a very large extent, with reference to 8(a), that is surely being remedied because of the new fixed program participation term. However, even without that, I just know we are not beginning to tap the absorptive capacity of minority businesses, no where near the capacity.

For many reasons, I will insist and persist at this juncture in our history for goals and quotas, there are a number of factors out there that mitigate against the inclusion of minorities and until we change that climate to a significant degree, that's where I take my stand.

Mr. DAUB. Will the chairman yield?

Mr. MITCHELL. Very briefly, because I have two other points I want to make.

Mr. DAUB. I did not mean to suggest in any way my lack of commitment to goals or quotas; I only stated that, and I have no problem with that, so we don't disagree, Mr. Chairman.

I'm concerned that within the framework of the setting of standard performances and objectives, that we're seeing the same companies cycle through and get bigger and bigger pieces of that pie as the goals for performance go up, but other minority and small and disadvantaged businesses don't get to come in and take a shot at the business.

Mr. MITCHELL. I understood very clearly. I will try to dig out of my files, a letter that I sent to the corporations in Silicon Valley who were advocating for a systems management sort of approach that you're talking about. I raised very very serious questions with regard to the implementation of that.

Just as an illustration of what I'm talking about, perhaps one of the largest contracts ever awarded to a minority was done recently by the Boeing Co., a healthy contract. If you're doing that in terms of systems management, that very healthy contract would mean that in just one area you've done exceedingly well, but in the other areas of the Boeing Co., maybe you haven't. That's my concern now and let me share that letter with you; I have some concerns about that, and let me close out with my little feeble question about Fort Monmouth, NJ. That's the one that I raised earlier, Fort Monmouth, a subsidiary of RCA has gotten a contract, it's called RCA Support Services. That contract had available subcontracting opportunities: $2.6 million and of that $2.6 million, minorities got $1,726. Who approved that contract?

Mr. Hall.

Mr. HALL. The contracting officer at the Fort Monmouth Communication Command.

Mr. MITCHELL. Have you been made aware of my concerns about this particular contract?

Mr. HALL. Yes; I have. We're looking into it. The incentive award has not been made to RCA as requested.

Mr. MITCHELL. But you have considered doing that for it was proposed at one time?

Mr. HALL. They have asked for it; it's on hold.

Mr. MITCHELL. What have you done to remedy what is an absolutely abominable situation with reference to subcontracting?

Mr. HALL. With RCA?

Mr. MITCHELL. Yes.

Mr. HALL. Well, reading the file of the RCA, they have gone to the minority groups in New York and New Jersey trying to find companies that qualify. It's difficult for them to find such firms in the categories they're in, you know, the various services we're talking about that would qualify them for that type of contract.

Mr. MITCHELL. I'm trying to control my temper. But here you had a minority firm operating at Fort Monmouth which had done a large portion of that contract for 3 years and received all kinds of awards for it.

Mr. HALL. Yes.

Mr. MITCHELL. Now, it's out and do you mean to tell me these birds say that they can't find somebody. That's what really disturbs me. I think it's a copout and I think it's wrong. Mr. Hall, I honestly hope that you will take the action necessary to correct that situation because that's a clear signal to the minority business community that you can be ousted once you do an umbrella contract and you're not going to get a shot at even subcontracting. I'm going to ask you to let me know within no more than 30 days what you've done on this one particular situation; it's atrocious and it's completely unacceptable, I'm certain, to every member of this committee.

Gentlemen, thank you very much for being with us this morning.

Our next witness is the Principal Deputy Under Secretary of Defense for Research and Engineering in the Office of the Secretary of Defense. Mr. Wade, thank you for being here.

TESTIMONY OF JAMES P. WADE, JR., PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING, OFFICE OF THE SECRETARY OF DEFENSE, ACCOMPANIED BY NORMA LEFTWICH, DIRECTOR, SMALL AND DISADVANTAGED BUSINESS UTILIZATION; AND HARVEY GORDON, ASSISTANT DEPUTY UNDER SECRETARY FOR ACQUISITION MANAGEMENT

Dr. WADE. Thank you, Mr. Chairman. We are indeed pleased to appear before you today to report on the DOD implementation of the subcontracting program established under section 211 of Public Law 95-507.

With me today, on my left Norma Leftwich, from the Office of the Secretary of Defense, Director of Small and Disadvantaged Business Utilization. On my right, Mr. Harvey Gordon, the Assistant Deputy Under Secretary for Acquisition Management.

Mr. Chairman, I would like to make a few statements and observations about the subcontracting program in general, placing my statement in full, with your approval, on the record.

Mr. **Mitchell**. Without objection, the entire statement will be submitted for the record.

Dr. **Wade**. Mr. Chairman, it is my understanding that when Public Law 95-507 was passed in 1978, that section 211 envisioned a structured program to define certain obligations and responsibilities to be placed on both industry and Government with regard to, first, increasing subcontracting opportunities for small and small disadvantaged businesses; second, in identifying and utilizing an increased base of small and small disadvantaged businesses; and third, administering and monitoring that effort.

Although the law qualified many of its requirements, many of the measurements of compliance and obligation were defined in less precise terms. For instance, the B clause certifies that a contractor agrees to carry out the policy that small and small disadvantaged businesses shall have the maximum practicable opportunity to participate in contracts let by the Federal agencies, including the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract.

Further, a contracting officer must make a determination, when negotiating a subcontracting plan, that such plan provides the maximum practicable opportunity for small and small disadvantaged business to participate.

Finally, the law concludes, that "failure of any contractor or subcontractor to comply, in good faith, with the policy or the plan, shall be a material breach of such contract or subcontract."

Now because such terms seem to defy precise quantification, a responsibility is placed on both government and industry to rely on a fair degree of subjective judgment as to whether the intent of these terms have been met on a case-by-case basis. And that is not to say that the Government and industry are left totally at each others mercy in trying to resolve some of these issues.

For instance, as we in the Government gain greater experience in negotiating subcontracting goals, there are certain data available to us upon which we can make more informed and reliable judgments, such as the previous history of subcontracting performance, items to be bought and available sources.

Now, that is also not to say that additional legislation should be contemplated to quantify broad concepts. Yet, I firmly believe that we must walk a thin line between implementing a strong effective Government program and protecting the integrity of any contractors business decisions. However, it is necessary to acknowledge the complexities of a program, that with experience and commitment, both Government and industry can continue to improve.

Implementation of Public Law 95-507 in general, and section 211 in particular, has been a tremendous learning curve for our contracting community and industry. I am not unmindful of the fact that beginning in 1979, notwithstanding a continuing increase in actual dollars awarded to small business through subcontracts, there was a decrease in the overall percentage of awards to small business. I am pleased to report that we have arrested that downward trend and turned the corner to increasing that percentage in fiscal year 1983.

Mr. Chairman, in summary, I would like to say that DOD remains committed to implementing a strong small and small disadvantaged business program. I personally think that we have indeed come a long way and can continue to improve upon our performance.

This concludes my comments, Mr. Chairman, and we will be pleased to answer any questions that you might have. Thank you.

[Dr. Wade's prepared statement with attachments follows:]

PREPARED STATEMENT OF JAMES P. WADE, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING, OFFICE OF THE SECRETARY OF DEFENSE

I AM JAMES WADE, PRINCIPAL DEPUTY UNDER SECRETARY FOR RESEACH AND ENGINEERING. ALSO WITH ME TODAY ARE, NORMA LEFTWICH, OSD DIRECTOR OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION.

WE ARE PLEASED TO APPEAR BEFORE YOU TODAY TO REPORT ON DOD IMPLEMENTATION OF THE SUBCONTRACTING PROGRAM ESTABLISHED UNDER SECTION 211 OF PUBLIC LAW 95-507.

IN YOUR INVITATION TO TESTIFY, YOU REQUESTED THAT WE RESPOND TO SOME SPECIFIC QUESTIONS BUT BEFORE I DO, I WOULD LIKE TO MAKE A FEW STATEMENTS AND OBSERVATIONS ABOUT THE SUBCONTRACTING PROGRAM IN GENERAL.

IT IS MY UNDERSTANDING THAT WHEN P.L. 95-507 WAS PASSED IN 1978, SECTION 211 ENVISIONED A STRUCTURED PROGRAM THAT DEFINED CERTAIN OBLIGATIONS AND RESPONSIBILITIES TO BE PLACED ON BOTH INDUSTRY AND GOVERNMENT WITH REGARD TO: (1) INCREASING SUBCONTRACTING OPPORTUNITIES FOR SMALL AND SMALL DISADVANTAGED BUSINESSES; (2) IDENTIFYING AND UTILIZING AN INCREASED BASE OF SMALL AND SMALL DISADVANTAGED BUSINESSES; (3) AND, ADMINISTERING AND MONITORING THAT EFFORT.

ALTHOUGH THE LAW QUALIFIED MANY OF ITS REQUIREMENTS, MANY OF THE MEASUREMENTS OF COMPLIANCE AND OBLIGATION WERE DEFINED IN LESS PRECISE TERMS. FOR INSTANCE, THE "B" CLAUSE CERTIFIES THAT A CONTRACTOR AGREES TO CARRY OUT THE POLICY THAT SMALL AND SMALL DISADVANTAGED BUSINESSES SHALL HAVE THE MAXIMUM PRACTICABLE OPPORTUNITY TO PARTICIPATE IN CONTRACTS LET BY THE FEDERAL AGENCIES INCLUDING THE AWARDING OF SUBCONTRACTS TO THE FULLEST EXTENT CONSISTENT WITH THE EFFICIENT PERFORMANCE OF THIS CONTRACT (UNDERSCORING ADDED).

FURTHER, A CONTRACTING OFFICER MUST MAKE A DETERMINATION, WHEN NEGOTIATING A SUBCONTRACTING PLAN THAT SUCH PLAN PROVIDES THE MAXIMUM PRACTICABLE OPPORTUNITY FOR SMALL AND SMALL DISADVANTAGED BUSINESS TO PARTICIPATE.

FINALLY, THE LAW CONCLUDES THAT "FAILURE OF ANY CONTRACTOR OR SUBCONTRACTOR TO COMPLY IN GOOD FAITH (UNDERSCORING ADDED) WITH THE POLICY OR THE PLAN, SHALL BE A MATERIAL BREACH OF SUCH CONTRACT OR SUBCONTRACT."

BECAUSE, SUCH TERMS SEEM TO DEFY PRECISE QUANTIFICATION, A RESPONSIBILITY IS PLACED ON BOTH GOVERNMENT AND INDUSTRY TO RELY ON A FAIR DEGREE OF SUBJECTIVE JUDGEMENT AS TO WHETHER THE INTENT OF THESE TERMS HAVE BEEN MET ON A CASE-BY-CASE BASIS. THAT IS NOT TO SAY THAT GOVERNMENT AND INDUSTRY ARE LEFT TOTALLY AT EACH OTHERS MERCY IN TRYING TO RESOLVE SOME OF

THESE ISSUES. FOR INSTANCE, AS WE IN THE GOVERNMENT GAIN GREATER EXPERIENCE IN NEGOTIATING SUBCONTRACTING GOALS, THERE ARE CERTAIN DATA AVAILABLE TO US UPON WHICH WE CAN MAKE MORE INFORMED AND RELIABLE JUDGEMENTS, SUCH AS PREVIOUS HISTORY OF SUBCONTRACTING PERFORMANCE, ITEMS TO BE BOUGHT AND AVAILABLE SOURCES.

THAT IS ALSO NOT TO SAY THAT ADDITIONAL LEGISLATION SHOULD BE CONTEMPLATED TO QUANTIFY BROAD CONCEPTS. I FIRMLY BELIEVE THAT WE MUST WALK A THIN LINE BETWEEN IMPLEMENTING A STRONG EFFECTIVE GOVERNMENT PROGRAM AND PROTECTING THE INTEGRITY OF ANY CONTRACTOR'S BUSINESS DECISIONS. HOWEVER, IT IS NECESSARY TO ACKNOWLEDGE THE COMPLEXITIES OF A PROGRAM, THAT WITH EXPERIENCE AND COMMITMENT, BOTH GOVERNMENT AND INDUSTRY CAN CONTINUE TO IMPROVE.

IMPLEMENTATION OF P.L. 95-507 IN GENERAL, AND SECTION 211 IN PARTICULAR, HAS BEEN A TREMENDOUS LEARNING CURVE FOR OUR CONTRACTING COMMUNITY AND INDUSTRY. I AM NOT UNMINDFUL OF THE FACT THAT BEGINNING IN FY 1979, NOTWITHSTANDING A CONTINUING INCREASE IN ACTUAL DOLLARS AWARDED TO SMALL BUSINESS THROUGH SUBCONTRACTS, THERE WAS A DECREASE IN THE OVERALL PERCENTAGE OF AWARDS TO SMALL BUSINESS. I AM PLEASED TO REPORT THAT WE HAVE ARRESTED THAT DOWNWARD TREND, AND TURNED THE CORNER TO INCREASING THAT PERCENTAGE OF FY 1983. AS MY COLLEAGUES BEFORE ME HAVE STATED, WE ARE CONVINCED THAT THIS DECREASE WAS A FUNCTION OF DIFFICULT ECONOMIC CONDITION THAT FACED

INDUSTRY DURING THAT PERIOD, WHICH IN TURN, RESULTED IN KEEPING AND DRAWING SUBCONTRACT WORK IN-HOUSE. I BELIEVE THERE MAY BE OTHER CYCLICAL INFLUENCES ON THE SUBCONTRACTING MARKETPLACE THAT AFFECT IN ANY GIVEN YEAR, ACTUAL SUBCONTRACTING OPPORTUNITIES. AS PREVIOUSLY MENTIONED BY SERVICE WITNESSES, ALTHOUGH GOALS ARE REQUIRED ON A CONTRACT-BY-CONTRACT BASIS PRIOR TO THE AWARD OF THE CONTRACT, THAT DOES NOT NECESSARILY REFLECT THE WAY PRIME CONTRACTORS REALLY DO BUSINESS. IN A MAJOR WEAPONS SYSTEM COMMAND, CRITICAL SUBCONTRACT DECISIONS ARE OFTEN MADE, AND IMPLEMENTED YEARS DOWNSTREAM FROM THE AWARD OF THE PRIME CONTRACT. CONTRACTORS RARELY, IF EVER, BUY FOR A PARTICULAR CONTRACT, BUT RATHER THEY BUY FOR THEIR INVENTORY. AS SUCH, I FEEL THERE IS MERIT TO RECOMMENDATIONS MADE BY OUR SERVICE REPRESENTATIVES TO CONSIDER AN "ANNUAL PLAN" CONCEPT BY PLANT OR DIVISION, VERSUS THE CONTRACT-BY-CONTRACT APPROACH PRESENTLY REQUIRED. I AM AWARE OF THE CONCERNS ABOUT THE ABILITY TO PERFORM MORE DETAILED MONITORING AND MORE DETAILED NEGOTIATIONS ON A CONTRACT-BY-CONTRACT BASIS.

HOWEVER, GIVEN THE MAGNITUDE OF THE ADMINISTRATIVE EFFORT, I WONDER IF OUR SOMEWHAT STRAINED RESOURCES WOULD NOT BE BETTER USED BY A MORE INTENSIVE PROGRAM COMPLIANCE MONITORING EFFORT, MORE IN SYNCH WITH THE REAL WAY A PLANT OR DIVISION DOES BUSINESS, RATHER THAN THE PRESENT WAY WHICH

ESSENTIALLY ONLY CAPTURES A "SNAPSHOT" OF THE OVERALL BUSINESS AND EFFORT OF THE ENTIRE ORGANIZATION. I UNDERSTAND INDUSTRY CLAIMS THAT THE ANNUAL PLAN APPROACH WOULD GREATLY REDUCE ADMINISTRATIVE BURDEN FLOWDOWN WHICH DIVERTS RESOURCES FROM MORE PRODUCTIVE ACTIVITY.

WHILE WE ARE ON THE SUBJECT OF HOW PRIMES DO BUSINESS, LET ME DISCUSS THE ISSUE OF "FLOWDOWN" AND THE DOD POSITION ON IMPLEMENTATION OF OFPP POLICY LETTER 80-2.

AS YOU KNOW, OFPP POLICY LETTER 80-2 RECOMMENDED THAT THE PROCURING AGENCIES ADOPT A POLICY OF REQUIRING LARGE BUSINESS FIRST TIER SUBCONTRACTORS TO SUBMIT SUBCONTRACTING PLANS TO THE PRIME CONTRACTOR FOR THEIR APPROVAL AND ENFORCEMENT. IN DECIDING HOW TO IMPLEMENT SUCH A POLICY, THE DOD WAS FACED WITH A NUMBER OF CONSIDERATIONS:

1. HOW TO AVOID THE ANTI-COMPETITIVE ASPECTS OF SUCH AN ARRANGEMENT,
2. HOW TO AVOID WASTEFUL DUPLICATION OF EFFORT.
3. HOW MUCH COMPLIANCE REVIEW EFFORT WOULD BE REQUIRED AND,
4. PRACTICAL CONSEQUENCES OF DEALING WITH SUBCONTRACTORS NONCOMPLIANCE.

AFTER CAREFULLY WEIGHING ALL OF THE ABOVE CONSIDERATIONS, IT WAS DETERMINED THAT THE OFFP'S PROPOSED MECHANISM FOR ENFORCING SUBCONTRACTOR COMPLIANCE WITH THEIR RESPONSIBILITIES WAS INAPPROPRIATE. ACCORDINGLY, THE DOD ADOPTED AND IMPLEMENTED THE CURRENT PROCEDURES WHICH ARE NOW CODIFIED IN THE FEDERAL ACQUISITION REGULATION.

DOD SUPPORTED THE CONCEPT OF A "LIMITED TEST PROGRAM," STRUCTURED IN CONSULTATION WITH YOUR COMMITTEE, TO EVALUATE THE MERITS OR DEMERITS OF THE ANNUAL PLAN CONCEPT, THE AGE OLD ADDAGE, "WHEN ALL ELSE FAILS - RUN A TEST" MAY HAVE SOME MERIT HERE. IF PRIME CONTRACTORS FEEL THEY CAN PRODUCE A BETTER EFFORT WITH BETTER RESULTS WITH THIS CHANGE IN APPROACH, IT SEEMS TO ME IT IS WORTH TAKING A LOOK AT.

SMALL DISADVANTAGED (MINORITY) BUSINESS

WE ARE CERTAINLY AWARE THAT THERE IS A DISPARITY BETWEEN SUBCONTRACTING RESULTS FOR SMALL BUSINESS AND MINORITY BUSINESS. I SUSPECT THERE IS A DISCONNECT BETWEEN EXPECTATIONS ABOUT THE VOLUME OF MINORITY BUSINESS SUBCONTRACTING AND THE AVAILABILITY OF QUALIFIED MINORITY BUSINESSES IN THE INDUSTRIES WHERE THE GREATER SUBCONTRACTING OPPORTUNITIES

DOLLARS AWARDS WITH MINORITY OWNED BUSINESSES. THERE IS AN INVESTMENT/COST ASSOCIATED WITH THIS, IN MANY CASES BOTH TO THE GOVERNMENT AND TO THE PRIME. I AM TOLD THAT SOME OF OUR PRIMES HAVE INVESTED CONSIDERABLE RESOURCES: PERSONNEL, FINANCIAL ASSISTANCE, EQUIPMENT, IN ORDER TO HELP DEVELOP A QUALIFIED LONG-TERM MINORITY SOURCE. IT SHOULD BE NOTED THAT EVEN INCENTIVES DO NOT NECESSARILY OFFSET THE COST OF THIS KIND OF SUPPORT PRIME CONTRACTORS HAVE SUGGESTED THAT IF THE COST OF SUPPORTING THE DEVELOPMENT OF MINORITY SOURCE WERE CAPABLE OF BEING BILLED MUCH MORE MIGHT BE ACCOMPLISHED IN THIS AREA.

WITH REGARD TO THE USE OF INCENTIVES AS A MEANS OF ENCOURAGING GREATER SUBCONTRACTING RESULTS, I UNDERSTAND THAT WE ARE USING THIS TECHNIQUE ON A LIMITED BASIS. BECAUSE OF THE LENGTH OF THE LIFE SPAN OF SO MANY OF OUR CONTRACTS, THE VERDICT IS NOT IN AS TO WHETHER IT IS AN EFFECTIVE TOOL TO ENCOURAGE MORE SUBCONTRACTING. THERE ARE CERTAIN RISKS ASSOCIATED WITH INCENTIVIZING A CONTRACTOR TO EXCEED HIS PLANNED SUBCONTRACTING PERFORMANCE. FOR ONE, THE GOALS WHICH HE IS BEING CHALLENGED TO EXCEED MUST BE APPROPRIATE; NOT TOO LOW, SO AS TO MAKE EXCEEDING THEM A STRETCH EFFORT. THE GOVERNMENT IS IN MANY CASES AT A DISADVANTAGE IN KNOWING HOW MUCH SUBCONTRACTING WITH SMALL AND MINORITY BUSINESSES COULD BE ACCOMPLISHED, IF A PRIME TRULY OPENED ALL THE THROTTLES. IT IS HOWEVER A TECHNIQUE WE WILL CONTINUE TO WORK WITH.

EXISTS. PERHAPS TOO MUCH EMPHASIS IS BEING PLACED ON THE LACK OF DRAMATIC INCREASES AND NOT ENOUGH EMPHASIS IS BEING PLACED ON THE "FRONT END PROBLEM" OF DEVELOPING GREATER MINORITY BUSINESS CAPABILITY IN MANUFACTURING AND HI-TECH INDUSTRIES. WE HAVE SEEN ENCOURAGING INDICATIONS THAT WHEN WELL-QUALIFIED MINORITY FIRMS WITH THE RIGHT CAPABILITIES ARE FOUND, PRIME CONTRACTORS HAVE AGGRESSIVELY SUPPORTED THEM. WE AT DOD HAVE MADE SPECIAL EFFORTS TO ACKNOWLEDGE THESE, FOR EXAMPLE, RECENTLY THE DEPUTY SECRETARY PRESENTED A SPECIAL RECOGNITION AWARD TO BOEING TO ACKNOWLEDGE ITS SUBCONTRACTING PROGRAM WHICH RESULTED IN A $7 MILLION SUBCONTRACT TO A MINORITY BUSINESS THAT WILL BE FURNISHING THE AIR FORCE DISPLAY CONSOLES FOR THE E3A AWACS AIRCRAFT. THERE ARE FEWER THAN WE'D LIKE TO REPORT, AND HOPEFUL MORE THAN THE ONES I HAVE MENTIONED, BUT THEY ARE SIGNIFICANT, NONETHELESS. ALL OF OUR SERVICES HAVE DEVELOPED SPECIAL RECOGNITION AWARDS FOR PRIME CONTRACTORS THAT EXHIBIT OUTSTANDING SUPPORT FOR MINORITY BUSINESSES.

DEVELOPING STRONG, TECHNICALLY CAPABLE, FINANCIALLY SECURE, COMPETITIVE MINORITY SOURCES IS A NECESSITY IF WE ARE TO SEE ON A LARGE SCALE, DRAMATIC GROWTH AND MULTI-MILLION

MR. CHAIRMAN, IN SUMMARY, I WOULD LIKE TO SAY THAT DOD REMAINS COMMITTED TO IMPLEMENTING A STRONG SMALL AND SMALL DISADVANTAGED BUSINESS PROGRAM. I THINK WE HAVE COME A LONG WAY, AND CAN CONTINUE TO IMPROVE OUR PERFORMANCE.

THIS CONCLUDES MY PREPARED STATEMENT, AND I WILL BE PLEASED TO ANSWER ANY QUESTIONS YOUR MIGHT HAVE.

Attachment 1 to Statement of Dr. Wade

1. Number and dollar value of contracts awarded during last three years which contained subcontracting plans.

	FY 1981	FY 1982	FY 1983
Number	5,549	6,184	7,041
Dollar Value	$49.0B	$57.9B	$69.9B

2. Number and dollar value of contracts awarded during the last three years which did not contain subcontracting plans, but which were required by law to contian such plans. What corrective action was taken regarding these awards? How many contracts have not been modified to include plans?

a. F 19628-80-C-0034/P0026 $2,775,000

Plan omitted by oversight. Added later by amendment.

b. N 61339-80-C-0039

Subcontracting opportunities did not exist. Justification erroneously omitted from contract file.

c. DLA-700-80-D-A028

No plan required, firm receiving award was a small business.

d. DLA-700-80-D-A029

Same as above.

e. DAAG47-80-D-0095

To be provided later.

f. DAAG47-80-D-0096

To be provided later.

g. DAAG47-80-D-0098

To be provided later.

h. DAAG 47-80-D-0017

To be provided later.

i. N0014-80-C-A017

Contract has been requested from Federal Records Center.

j. DAAK 20-80-C-0530

To be provided later.

k. F42600-79-G-1531

To be provided later.

l. N00383-78-A-8107

SBA did not specify which call against the contract (Basic Ordering Agreement) was deficient.

m. DABT51-81-C-0152

To be provided later.

n. DAAJ01-75-0941/P00313

To be provided later.

n.	N00123-80-C-0043	$5,000,000

The subcontracting plan did exist but was erroneously omitted from the contract.

o.	F33657-80-C-0373	$9,948,743

A subcontracting plan was submitted by the contractor as part of its proposal. The plan was approved but inadvertently omitted from the contract. When the oversight was discovered, it was added by supplemental agreement. The contractor had been complying with the plan from the outset of the contract.

p.	F61546-80-C-0042	$4,034,690

The contracting officer initially determined a plan was not required since performance was to be outside the U.S. He later determined that a plan was required and modified the contract to incorporate it.

q.	F08635-81-C-0288	$1,171,199

This contract had been identified by the SBA in their 1983 report to Congress on deficient subcontracting plans. However, the contract was a study contract with no subcontracting opportunities. A memo was in the contract file explaining this exemption for the plan.

r.	N0039-81-C-0086	$3,833,871

Subcontracting opportunities did not exist. Justification erroneously not included in contract file.

s.	N00228-82-C-7334	$1,055,014

The subcontracting plan did exist but was erroneously omitted from contract.

t. DAAE07-80-C0120 $186,471,823

The basic contract always had a plan. Certain options dealing with awards to Government of Israel for performance in that country did not require plans.

u. DAAE07-81-C-0168 $3,139,994

Basic contract had plan. This plan also covers subsequent option to contract.

v. DAAE07-80-C0519 $4,702,745

Basic contract had plan. This plan also covers subsequent option to contract.

w. DLA 700-81-C-8169 $501,740
Contract did include plan.

3. How many plans did SBA review during the last three years? What was the number found deficient and dollar vaue of such contracts?

a. The 1981 report made by SBA to the Congress indicated that SBA conducted 5,075 pre-award reviews and 1,654 past award reviews. SBA listed 233 plans as being deficient. In 169 cases they found the goals unacceptable; 111 cases where records were unacceptable; and nine cases where all six elements were unacceptable.

b. The SBA reported in FY 1982 that they conducted 5,837 preaward reviews and 6,846 past award reviews. They found deficiencies in 346 contracts of which 273 of the goals that were established were unacceptable to SBA with balance being deficient for other reasons such as unacceptable records.

c. In 1983, SBA reported that they conducted 6,414 preaward surveys and 6,812 post award surveys. They found deficiencies in 357 contracts of which 216 the goals that were established were unacceptable to SBA with the balance being deficient for other reasons.

4. Total dollar value of all subcontracts awarded during the last three years under prime contracts containing plans and the dollar value and percentage of subcontracts awarded to small and small disadvantaged businesses.

	FY 1981	FY 1982	FY 1983
Total $ Value of Subcontracts	$33.9B	$35.3B	$39.8B
Subcontracts to Small Business	$13.0B	$13.4B	$15.6B
%	38.3	37.9	39.2
Subcontracts to Small Disadvantaged	0.6B	0.6B	0.7B
%	1.6	1.6	1.6

5. Total number and dollar value of all prime contracts awarded where the prime was found to be in non-compliance and any remedial actions taken including debarment proceedings.

Neither our Military Departments nor the Defense Logistics Agency have reported any contractors to be in direct non-compliance. In those cases where the administrative contracting officer (ACO) has determined that a contractor was not demonstrating a good faith effort to comply with the small and disadvantaged terms and conditions of the contract, these problems have been resolved by corrective action taken on the part of the contractor.

6. Describe any outreach program that the Department of Defense may have to assist small and small disadvantaged businesses interested in subcontracting with the Department of Defense's large prime contractors.

The Office of the Secretary of Defense as well as the Military Departments and the Defense Logistics Agency conduct an aggressive outreach program on a continual basis searching for new small and small disadvantaged business firms to become active suppliers to our prime contractors. Our Director of Small and Disadvantaged Business Utilization works very closely with the Department of Commerce in co-sponsoring approximately 30 Federal Procurement Conferences which are sponsored by the members of the House and the Senate in your local constituencies. At all of these conferences, we arrange for participation by our prime contractors to act as counsellors to provide one-on-one assistance to these small and disadvantaged business persons. In addition to these conferences sponsored from the national level, there are many more conducted on a local level.

Our Small and Disadvantaged Business Office publishes annually a DoD Small Business Subcontracting Directory which identifies almost 1200 of our major prime contractors, their location, product/service line and the name and telephone number of their Small Business Liaison Officer.

Our Military Departments and the Defense Logistics Agency conduct similar outreach efforts which in many cases are tailored to each activity's peculiar procurement requirements.

7.a. Give the number and dollar value of prime contracts awarded where the goals recited in plans were not met.

Contracts with Small Business Goals

	FY 1981	FY 1982	FY 1983
a. Total number contracts completed	2,388	912	1,169
b. Dollar value subcontracts under a.	$595M	$1,058M	$2,757M
c. No. of completed contracts not meeting goal	103	175	243
d. Dollar value of subcontracts under c.	$255M	$153M	$ 815M

Contracts with Small Disadvantaged Business Goals

	FY 1981	FY 1982	FY 1983
a. Total number contracts completed	426	679	1,003
b. Dollar value subcontracts under a.	$457M	$915M	$2,590M
c. No. completed contracts not meeting goal	124	226	253
d. Dollar value of subcontracts under c.	$289	$308M	$569M

7.b. What is the average goal attainment for both small and small disadvantaged business? (Of those which met goal)

	FY 1981	FY 1982	FY 1983
Small Business	145.7%	155.5%	142.6%
Small Disadvantaged Business	192.5%	195.5%	245.3%

8. What were your subcontracting program goals for the last three fiscal years? Were goals met? If not, explain.

Subcontracting Goal Performance

	FY 1981	FY 1982	FY 1983
Goal	$11.2B	43.7%	39.0%
Attainment	13.0B	37.9%	39.2%

We did not meet our FY 1982 goal for several reasons. First, we offered a goal, which SBA accepted, that was overealistically too high. The highest level of small business subcontracting ever attained since this part of the small business program was established in 1962 was 42.7%. In retrospect, our goal should have been established significantly lower for the following reasons which accounted for our lowered performance in FY1982. First, our procurement mix changed radically with the entry of many more major weapons systems being brought into the DoD inventory. This resulted in a greater percentage of our large primes subcontracting to other larger primes rather small business, e.g., Boeing subcontracting to Westinghouse Defense. During this period, due to difficult economic conditions, many of our primes were not only keeping more work in-house but also embarked on programs of bringing work back in-house. This was work which, in most cases, was being performed by small business subcontract vendors.

We are happy to note that it appears that we have arrested our downward trend which started in FY 1979.

9. To what extent are small and small disadvantaged business program accomplishments taken into account when evaluating the performance of acquisition personnel?

The Deputy Secretary of Defense for the last three years in his assignment of the final annual small business and small disadvantaged business goals memorandum to the Secretaries of the Military Departments and the Director of the Defense Logistics Agency has stated that commanders and managers of purchasing activities shall have goal accomplishment included as a part of their annual performance appraisal.

Attachment 2 to Statement of Dr. Wade

The following responds to actions taken by the Department of Defense in response to recommendations contained in House Report 97-956:

"(1) Report to this committee on a quarterly basis, the following information:

(a) Number and dollar value of contracts awarded during the quarter which contain subcontracting plans;"

We have developed just such a report which we have provided to the Committee on an as required basis in the past. Action has been taken to place the Committee on the regular quarterly distribution for the report.

"(b) Number and dollar value of contracts awarded during the quarter which do not contain plans, but which, by law should have plans;"

During FY 1983, Department of Defense awarded 23,305 contracts valued over $500,000. Each one of these contracts which are located in hundreds of contract offices throughout the country would have to be examined to fulfill this requirement. The Department of Defense just does not possess the personnel resources to accomplish this requirement.

"(c) The numer of plans reviewed by SBA during the quarter; the number SBA found deficient and the number and dollar value of contracts awarded which contained plans which SBA noted as being deficient but which were not corrected to SBA's satisfaction; and"

The SBA does not provide this information to the Department of Defense on a quarterly basis. Whenever SBA informs one of our contracting offices that a plan is deficient, action is taken to correct the deficiency unless the deficiency is highly judgmental in which case the decision by the contracting officer must be final. In almost all cases, accommodation is reached on corrective action to be taken.

"(d) The total number and dollar value of all subcontracts awarded during the quarter and the dollar value and percent of subcontracts awarded to small business and small disadvantaged business."

This information has been provided informally on quarterly basis. Action has been taken to put the committee on the formalized quarterly distribution list for this report.

"(2) Provide SBA with adequate and timely information with respect to the award of contracts covered by section 211."

This information is provided by our contracting offices to SBA Procurement Center Representatives by furnishing them a copy of the DD Form 350. This approach follows a procedure jointly developed by DoD, SBA and the Office of Federal Procurement Policy.

"(3) Commence contract debarment proceedings against any contractor who is determined to have violated more than one plan. Exceptions should only be made by the President upon a finding that national security will be impaired if the contractor is debarred. In such case, other severe remedies must be imposed."

We believe in most every case our contracting activities can resolve any shortcomings in prime contractor's subcontracting plans and their performance against the plan's requirements without resorting to what in almost every case would be a very costly procedure to both parties. Nevertheless, we believe it is proper and necessary that contracting activities have the authority to initiate debarment procedures should conditions warrant.

"(4) Include in the personnel standards of all ACO's and PCO's stringent requirements for the expeditious and vigorous enforcement of the subcontracting program. Such a standard should be denominated as "critical" so that failure to achieve the standard can result in separation from Federal Service."

As noted in the basic statement, the Deputy Secretary of Defense has directed that commanders and managers of purchasing activities shall have goal accomplishments included as a part of their annual performance appraisals.

It must be recognized that there are many other programs which are just as critical to national security as is the small business and small disadvantaged business program. These other programs would, naturally, be required to be accorded the same personal critical evauation. Because of the large number of such programs, we do not believe that this could be accomplished. On balance, we believe that the Deputy Secretary of Defense's mandate to the Secretaries of the Military Departments and the Director of the Defense Logistics Agency should satisfy this particular recommendation.

"(5) Report to this committee by February 15, 1983 all actions taken to comply with recommendations B1 through B4."

While this was not formally accomplished, it will be so done formally in the future as noted above.

Mr. **Mitchell**. Thank you very much. I'll be with you in just a minute.

In your testimony, you are suggesting an annual plan concept by the plant or division, such as was suggested by two other members of the panel in opposition or versus a contract by contract approach, which is presently required.

Also, I will send you a letter of my response to the corporations in Silicon Valley with reference to that annual plan.

Let me just read from the record, the report of the 97th Congress in reference to the annual plan.

> Small and disadvantaged businesses, on the other hand, oppose annual plans claiming that (1) contract-by-contract plans more realistically reflect the potential for subcontracting opportunities than do annual plans, which must, by necessity, be based on yearly projections of anticipated sales, and the projected portion which may be captured by small and disadvantaged business.

How do you react to that?

Dr. **Wade**. Mr. Chairman, your concerns as expressed this morning are concerns that I also share; and rather then move directly toward the recommendation of the services which, the bottom line, is they're the performers and they have to go out and achieve these goals, that perhaps a trial test would be appropriate.

We have to be very careful in the context of the pros and cons of moving from an approach that has now 4 or 5 years of experience that has provided a basis upon which can judge ourselves. And the change overnight could be quite dangerous.

So my suggestion would be to proceed with a commitment that the Department has, the demonstration is there, try to improve ourselves, and if the services believe that this would be another step forward, we ought to give them a try and see how it works.

Mr. **Mitchell**. Now, let me ask you to respond to the second claim by the small and disadvantaged business community.

> Under such a plan, the only reasonable remedy for violation of annual plans would be debarment from more Government contracts.

And you know that never happens; that's just not going to happen. Whereas under the present system, their remedies for violations of individual plans would pertain to individual contracts and would therefore be much more flexible. Do you generally agree to that claim?

Dr. **Wade**. Yes, sir, in part. At the same time, I believe that one of the key aspects toward improving ourselves in this regard is the attention given by top management. When we see something going wrong and when the senior staff calls the President or Vice President and expresses himself in that regard, that goes a long way than trying to work out within the details of a specific law.

Mr. **Mitchell**. Finally, well, not finally, but one other point that's raised and that I concur with, very vigorously is that this concept goes back to the good faith effort. Despite some enormous gains that have been made in the private sector, good faith efforts just have not worked.

Most of the gains that have been made have been made because of existing law. I would be very wary of going back to what is tantamount to a good faith effort. I will not commit myself in terms of an experimental pilot program on this. I want to think my way through it very clearly.

I can see some problems with even an experimental program. Why this firm and not my firm? Why was my firm selected or that firm selected and not my firm.

But I want the record to be made very clear that, as a general posture, I stand in opposition to the annual plan approach. It seems to me that's a turn backward.

Now, just one last question to you sir.

Dr. **Wade**. May I comment on that, Mr. Chairman?

Mr. **Mitchell**. Yes, sure.

Dr. **Wade**. Mr. Chairman, as you well understand, the law is based on basically a good faith commitment. I would go a step further and say that what we need is a recommitment almost on a yearly basis as to our good faith. I think with that regard we can step forward but the commitment has to be there in order to really make this whole program a success.

Mr. **Mitchell**. I would have to disagree with you in terms of what the law says; the law is not really based on a good faith effort because it says explicitly and concisely that no agency can sign off on any contract that does not have the plan for the utilization of small and disadvantaged businesses. Now it's very clear; that's not good faith at all.

Dr. **Wade**. But getting to the point that you raised earlier during your hearings, the question about incentives we're not looking just toward complying on a minimal basis. We're looking toward an approach that demonstrates improvement on a year-by-year basis, gets to the point that Congressman Daub raised and that's the quality within the program.

It's the total aspect of this effort which really does entail not only good faith, it applies to everything else.

Mr. **Mitchell**. I have no brief against any agency which would sign off on a contract which maybe has four sets of subcontracting plans far exceeding any goal or anything else. I have no problem with that. My only concern is agency compliance with the law and in far too many instances, that's just not being done.

Mr. Daub.

Mr. **Daub**. Thank you, Mr. Chairman. I would commit the conversation that's just occurred back to what the Admiral said in the previous panel. Trying to get at this idea of competition—I was pleased to hear the chairman say that he would reflect upon this carefully, without making a commitment and that wouldn't be expected at this point, but I would see some advantage, not to experimentation—but maybe with a demonstration or pilot project or two, as you have said in your testimony on page 4, that gets up this annual plan concept by plant or by division.

The reason I would see some flexible opportunity there would be because we would get at what the Admiral also said, and that is sometimes we see a small part of what X corporation is doing on this subcontract as a part of a large contract but we don't know whether they may be totally not with the spirit of this program in everything else that they do. And they would continue to hold up to the Government this subcontract as the full and complete requirement that they are obligated to undertake for small and/or for disadvantaged small business.

I think it is insightful to consider the annual plan if that's what you mean by what you say. That by looking at a company or a division or a plant location and being able to tell that they were in fact involved in the subcontracting idea in a lot of other aspects of what they do with the Government. We might discover great fertile ground for the fulfillment of some of the objectives that particularly this Small Business Committee is interested in.

So I think it's certainly worth studying and we appreciate you bringing the idea to us as have others. Tell me in your experience, Mr. Secretary, is the $500,000 level too high, too low, or just about right?

Dr. **Wade**. Let me ask Mr. Harvey Gordon to address that.

Mr. **Gordon**. Well, at the $500,000 level for supplies and services, and $1 million for construction, we have approximately 7,000 contracts DODY in any given fiscal year and that is, when you consider we have $14.7 million procurement actions in a given year, not an excessive number of contracts to manage.

Yet, although it covers a relatively small number of contracts percentagewise, it does cover a preponderance of the dollars so I think the $500,000 threshold is a balanced figure which seems to give us enough contracts to have a meaningful program without being administratively burdensome.

Mr. **Daub**. Well, then would you have any other view that you would have on that?

[No response.]

Mr. **Daub**. Now, your job, Mr. Secretary, is research and engineering?

Dr. **Wade**. Yes, sir.

Mr. **Daub**. The umbrella of that domain. What, is there any problem you've got with this program. I mean is there anything really that you find that contractors or even the small and disadvantaged contractors that want the subcontracting opportunities, are they complaining about anything to you? In other words you haven't told us in your testimony about how good, great, and grand you're all doing with the program, is there any feedback you can candidly give us that would help us take a better look maybe we'd be a little more understanding of some of your problems if we knew some of the complaints that you get.

Dr. **Wade**. Well, I'd like to ask Norma to address that since she hears all the comments on a day-by-day basis. Norma.

Ms. **Leftwich**. I think the biggest problem that we face in DOD, and that has been brought to our attention repeatedly by the chairman and appropriately so, is the disparity between our subcontracting results for small businesses versus minority-owned businesses.

I think we are painfully aware of that; we've seen good progress but there is absolutely no comparison between the figures. I think the primary conclusion that we have drawn is that there is somewhat of a disconnect between the expectations of where we would like to see minority subcontracting go and the capability that exists in the particular industries that support our type of prime contractors.

I think that that is a basic problem. I worry that we need to put more effort in the front-end problem of developing technically capable financially secure competitive minority businesses that can compete in that subcontracting marketplace. That is not a simple marketplace.

We've learned from our own figures that minority businesses do much better in a prime relationship with the government than we see them doing in the subcontracting area.

From our experience, I would say that 8 out of 10 minority firms that we see in our offices are in search of prime contract opportunities. I have personally not seen over the years a vast number of firms who are being frustrated or looking at the subcontract level.

Now, that does not mean they are not there, but what we've learned from our experience is that there is a disparity there and I suspect that because of the nature of the subcontracting marketplace, we're just not able to see the dramatic growth that we would like to see.

The subcontract award that you mentioned, the award that Boeing recently made to a minority firm, was the largest one that I am aware of. That award was for $7 million. A large award to be sure but not the level or kind of awards that's going to account for dramatic growth across the board that we'd like to see.

Mr. **Daub**. Well, if we cut the defense budget by $93 billion, as some want to do, there'll be a lot less I suppose, by some standards of increase.

I was just kidding, Mr. Chairman.

Mr. **Mitchell**. I simply repeat the phrase that I've heard from your side of the isle in the House, a time of sacrifice for all.

Mr. **Daub**. Indeed, pay as you go.

Dr. **Wade**. Yes, sir, Mr. Chairman, but under conditions of freedom.

Mr. **Daub**. The unique and central function of a Government like ours is to provide for a strong and common defense; it is not the responsibility of minority or majority or city, county, and State officials, it is ours commonly, we all recognize that.

I wonder then if you could add to the record I've asked to be amplified on by the previous panels, if you could, Mr. Secretary and your staff, provide me with the data I'm looking for, and maybe it will prove or disprove what my question is: How many of our small disadvantaged firms are just simply cycling through and growing bigger and doing well but were not maybe seeing more firms come in to try to do the work or the offshoots of firms that did get the work previously?

Ms. **Leftwich**. I don't think that you're seeing that particular phenomenon at the subcontracting level. No. 1, the Government does not maintain any data on the identity of the minority firms that our primes are utilizing. We would have to go directly to the prime contractors to gather that particular data.

Mr. **Daub**. We don't score the contracts, though, as having been in compliance, or you can't add up——

Ms. **Leftwich**. We score dollars, but we don't collect the sources. The contractors report the dollars awarded, but not by source.

Mr. **Daub**. So we don't know how many people are really involved in all of this then. All we know is we keep saying that you're doing well or not doing well, by measuring this whole thing in dollars?

Ms LEFTWICH. Essentially so. No; we do not know how many firms are involved at the subcontracting level.

Mr. DAUB. Well, I'll be. I just don't want to lose sight of the dynamics of a program like this, if all we're doing is measuring in terms of dollars. There's a lot more at stake, in my view, in the long haul. I want to see us develop a business base out there, where these companies that are disadvantaged, as we see them in Congress, have a chance to become not disadvantaged through these contracting opportunities. If we're only measuring in terms of dollars, I'm personally not able, then, to assess the effectiveness of the program very well; because I don't think measuring anything in dollars tests how very effective it is. Isn't there any other way you can check on that kind of data for me at all, for this committee?

Ms. LEFTWICH. We could certainly go out——

Mr. DAUB. How many companies?

Ms. LEFTWICH. To the prime contractors.

Mr. DAUB. I would think we could.

I mean, I am not asking you to jump through too many hoops, but do you see how helpful this committee could be in the trenches? Like you were just explaining a minute ago, if we knew whether we're talking about 300 firms in 7,000 contracts or 200 firms or 100 firms, the firms of 2 and 3 people, or do they hire an average of 25, or do they employ as a minority or a disadvantaged firm, or women in a business firm; do they hire 100 people average? Are we only really getting training and learning curve activity out there in the disadvantaged small business community for 3,000 people, or 300,000, or has that number been going down as the dollars keep going up? I don't know how to measure that.

I'd like you to tell me if there's a reason why you can't help me. But I would really think our committee would benefit from an examination, even if it were a survey, a sampling. Pick two or three kinds of contract areas, see if you can quantify more than just dollars for us. Use your own talent and your own staff to think about maybe some options I haven't mentioned to help examine in more detail what this program is really meaning, not just in terms of an average every year of up or down. I don't want to measure this program that way. I want to see how many people we're helping, and how many business entrepreneurial interests we can serve. I'm not thinking at all, Mr. Chairman, of the 8(a) problem. I'm thinking in terms of really making this program more than just a numbers game.

Thank you. I have no more questions.

[Further information follows:]

Congressman Daub expressed concern over our use of subcontract award dollars to measure the effectiveness of a subcontracting plan. He asked us to make a study to attempt to quantify more than just dollars, particularly with regard to the number of small disadvantaged firms holding subcontracts and whether these were the same firms year-to-year or whether there were different firms each year.

Answer. Mrs. LEFTWICH. We do not collect information on the numbers of firms awarded subcontracts by our reporting prime contractors. The basic reason this information is not reported by the prime contractors is that the clause in their contract regarding such contracting plans does not require the reporting of this information. The wording of the clause was established by statute (Public Law 95-507), and requires only the reporting of subcontract dollars awarded to small and to small disadvantaged firms.

We have informally queried several of our largest prime contractors as to what information their current records would yield. We have been advised by each of them that they are unable to furnish any information on the numbers of small disadvantaged business firms that have been awarded contracts, nor on the composition of these firms from year-to-year. They indicated that to do so would require a time consuming, costly, manual effort. However, notwithstanding that, we understand that a survey of more than 10 prime contractors would require OMB clearance because of the requirements of the Paperwork Reduction Act. If Congressman Daub believes the effort is of significant importance we will pursue the matter.

Mr. MITCHELL. I just have one or two more questions I would like to ask you, Mr. Wade. In attachment No. 1 to your statement, you have a listing of 13 contracts, and of that number 8 indicate that the subcontracting plan is to be provided later. What's the length of time that you allow for the submission of the subcontracting plan?

Ms. LEFTWICH. Are you talking about our inability to provide to you this particular data?

Mr. MITCHELL. No. See attachment 1 of the statement of Mr. Wade, and look at DAAG47-80-D-0095. Here, evidently, was a contract which had no subcontracting plan, and the idea was that that plan would be provided later. How much later?

Ms. LEFTWICH. No. This means that we will have to provide the information you requested.

Mr. MITCHELL. Oh, you don't have that information?

Ms. LEFTWICH. That's right. The information has to come up from the services.

Mr. MITCHELL. Oh, I see. I misunderstood you. You will get that to us, though?

Ms. LEFTWICH. That's right.

[Further information follows:]

Mr. Mitchell questioned the notation "To be provided later" on several contracts listed in attachment 1 to Dr. Wade's statement. Mrs. Leftwich explained that the notation meant that we would provide the committee the information on these contracts as soon as we received it from the issuing Service/Agency.

Answer. Mrs. LEFTWICH. We have not yet received the information from the issuing Service/Agency on these contracts, but will furnish it to the committee as soon as we receive it.

Mr. MITCHELL. Now, the other thing that worries me a little bit is, again on attachment 1 plan, "omitted by oversight; the subcontracting plan did exist, but was erroneously omitted from the contract. Plan was approved, but inadvertently omitted from the contract." That sounds so sloppy for an efficient defense establishment.

"Subcontracting opportunities did not exist." That was the first ruling. "The justification erroneously not included in the contract file." I'm on page 3 now, "Subcontracting plan did exist, but was erroneously omitted from the contract."

How do you explain these erroneous omissions? Is it human frailty? Is it the level of intelligence of the person who was dealing with this?

Dr. WADE. Well, Mr. Chairman, the great majority of the number of contracts have been correctly managed. What you're seeing here is that few number that—human nature is such that we're just not perfect. We can do better. But what we've done here is listed those pieces that we either have not yet received the information from the services that's on the way, and we need to provide that to you.

Mr. MITCHELL. That part I'm straight on. I'm talking about the other part, the erroneous submissions.

Let me tell you one of the problems that I had for a long time in my office. I insist that every telephone call that comes in, I want the name, address, and telephone number on a pink slip. I go along for a little while with some erroneous omissions; they get the name and the telephone number, but not the address, or the name and the address, but not the telephone number, but only for a certain period of time and then there's something wrong with that person or those persons that can't carry out what is very clear and specific.

Human frailty, I recognize, but, again, we minimize human frailty when we're dealing with Government business.

What did you do to these persons who erroneously omitted data?

Dr. WADE. This data just came in, sir, and we haven't done our oversight in the sense of going back and finding out the facts. Until we do, I think we ought to be careful before we——

Mr. MITCHELL. Of course. It's just that I have a serious concern. The worst case scenario, which I'm certain didn't happen here, is some Machiavellian person down there who said, look, I'm going to drop the plan in this case. That's the extreme of the worst case scenario. The other extreme is one that says, I don't know what I'm doing; I'll just let this contract go on through. Even if it's 10 such cases you're hurting the goal, you're hurting the objective of the legislation.

You will look into that?

Dr. WADE. Yes, sir.

Mr. MITCHELL. Let me know who these erring omitters are?

Dr. WADE. I certainly will.

[The information follows:]

REMEDIAL ACTION ON SUBCONTRACT PLAN ERRORS

Mr. Mitchell asked what kind of remedial action we were taking where subcontracting plans or justifications of plans were erroneously omitted from contract files.

Answer. Dr. WADE. This situation occurred in only six cases of approximately 5,000 contracts reviewed by the Small Business Adminstration. We note that in all cases, the error has been corrected, and the contracting officers are now aware of the requirements. We do not feel that further action is necessary in these isolated cases. Even though this is a very small number, we believe such omissions should not occur. In order to preclude further occurrences, we have instructed the Directors of Small and Disadvantaged Business Utilization of the Military Departments and the Defense Logistics Agency to assure that contracting officers are advised of the need of strict and total compliance with the acquisition regulations pertaining to subcontract plans as well as full supporting justifications when such plans are not required.

Mr. MITCHELL. Don't give me their names. Just let me know what kind of effective remedial action you've taken with them.

Thank you very much for being with us. Thank you, sir.

Could we have a little order in the hearing room, please. If you want to converse, would you please move outside. I want to bring up our last panel. These people have been waiting very patiently.

Mr. William Sullivan, the Associate Deputy Administrator for Logistics with the Veterans' Administration; Mr. Allan Beres, Assistant Administrator for the Office of Acquisition Policy of the General Services Administration; and Dr. Robert Fairman, Assistant Secretary for Administration for the Department of Transportation. Thank you, gentlemen, for being here. I think we have copies of your testimony.

I suppose we'll just proceed in the order in which your names were called. Mr. Sullivan.

[Additional questions of Congressman Addabbo and responses thereto follow:]

INSERT FOR THE RECORD

☐ HOUSE ☐ SENATE	APPROPRIATIONS COMMITTEE	☐ HOUSE ☐ SENATE	ARMED SERVICES COMMITTEE	☒ HOUSE ☐ SENATE	OTHER Small Business Committee
HEARING DATE April 10, 1984	TRANSCRIPT PAGE NO. 111	LINE NO. Questions 1 and 2	INSERT NO.		

Congressman Addabbo's Additional Questions

Congressman Addabbo addressed two questions to Dr. Wade and requested answers for the record.

Answer: These questions were forwarded directly to the Department of Defense by Congressman Addabbo in a letter dated April 30, 1984. We are furnishing these answers directly to Mr. Addabbo in response to his letter.

Question 1:

Your statistics indicate that in FY 83 DoD paid approximately $114 million for advertising services, of that amount only $1.8 million went to small business, $429,000 of that $1.8 million was awarded through the set-aside program.

How do you explain the lack of substantive small business participation in this industry?

Please provide for the record the subcontracting plans for the DoD recruitment advertising contracts.

Answer:

The statistics you quoted in this question are incorrect. The total DoD Fiscal Year 1983 recruiting advertising expenditures were $145.1 million. We are enclosing a chart showing the breakdown of these expenditures by each DoD component and by type of program. Not all of the items covered in the attachment are included in the full-service agency contracts.

The Joint Program and the individual Services each have their own full-service advertising agency. These contracts are awarded as a result of full competition open to all firms, large and small.

The following table reflects the subcontracting for each of the advertising contracts:

Active Force
FY 1983 Recruiting Advertising Resources*
(Constant FY 85 $ in Thousands)

	Army	Navy	Marine Corps	Air Force	Joint Advertising	DoD
Enlisted Program (Including Reenlistment)	66.653	11.498	13.474	7,959	20.426	120.010
National Media	41.266	6,972	7,347	2.312	18.165	76 062
Magazines	(9.664)	(2.162)	(1.641)	(1.469)	(3.707)	(18 643
Newspapers Supplements	(126)	(11)	(843)	--	--	(980
Outdoor	(363)	(498)	(131)	--	--	(992
Transit	--	--	--	--	--	--
PSA Radio/TV	--	(464)	(284)	(254)	--	(1.002
Paid Radio	(5.823)	(3.122)	(254)	(8)	--	(9 207
Paid TV	(24.690)	--	(3.330)	--	(14.458)	(42 478
Films	(599)	(714)	(864)	(581)	--	(2.758
Local/Regional	7.410	1.429	1.521	2 294	--	12 654
Direct Mail	535	876	1,227	131	484	3.253
Lead Fulfillment	1 836	945	671	146	137	3.735
Sales Promotion	1,765	--	104	604	--	2,473
Market Research	388	322	86	88	238	1.122
Print Material & Literature	5,153	847	1,870	1.016	--	8 886
Other	7.751	108	42	1.012a/	1,402	10.315
Reenlistment	549	--	605	357	--	1.511
Officer Programs	7.762	4 780	1,497b/	6.359	236	20.634
Medical Programs	1,298	703	--	2.460	33	4.494
Total	75.713	16.981	14 971	16.778	20.695	145.138
DoD Joint Market Research Program						2.472

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* Source: Actual 02/23/84 (Numbers may not total due to rounding).
a/ Some Reserve Force advertising included in Active Force budget.
b/ Representative figure for officers.

OASD(MI&L)(MP&FM)(AP)
2 May 1984

Subcontracting Performance

Fiscal Year 1983 Advertising Contracts

	Total Value of Contract	Total Subcontract Awards	Subcontract Awards	
			Small Business	Small Disad. Business
Army				
N.W. Ayer (Army requirements)	$82.8M	$50.2M	$30.1M (59.9%)	$5.1M (10.1%)
Needham, Harper & Steers, Inc. (Army & AF National Guard Requirements)	$ 4.7M	$ 1.8M	$960,000 (53%)	$630,000 (35%)
Navy				
Ted Bates	$ 9.8M	$ 6.0M	$ 2.8M (46.8%)	$460,000 (7.7%)
Marines				
J. Walter Thompson	$13.2M	$ 4.4M	$ 2.5M (55.5%)	$ 82,000 (1.8%)
Air Force				
D'Arcy MacManus & Masius, Inc.	$ 6.0M	$ 4.4M	$636,000 (14.5%)	$ 32,850 (.75%)

Note: The Air Force has a contract for Air Force Reserve recruitment advertising. It was awarded to a small business, so there is no subcontracting plan required. Rogers & Cauthen, Inc. (Columbia, SC) $727,450

	Total Value of Contract	Total Subcontract Awards	Small Business	Small Disad. Business
Joint				
Grey Advertising, Inc.	$19.25M	$17.95M	$323,000 (1.8%)	$67,800 (.38%)

Note: The percentages shown in the above chart represent the portion of the total subcontracting dollars awarded as indicated, and do not relate to the total value of the contract

We understand that each of the Services is furnishing you a copy of the subcontracting plan for each of its advertising contracts in response to a direct request from you, so to prevent duplication, they will not be included here. We are enclosing the subcontracting plan for the joint advertising contract which is under the jurisdiction of the Assistant Secretary of Defense (Manpower, Installations and Logistics). We also understand that each of the Services is furnishing additional information on their advertising contracts as requested by Congressman Mitchell during the hearings.

GREY ADVERTISING, INC.
SMALL/DISADVANTAGED BUSINESS
PROCUREMENT PLAN
FOR
JOINT RECRUITING ADVERTISING
PROGRAM
FY '83

Prepared
December, 1982

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BACKGROUND AND PURPOSE

BACKGROUND

It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and women-owned businesses shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

PURPOSE

The purpose of this Plan is to set forth how Grey Advertising Inc. proposes to pursue this policy with regard to subcontracts made pursuant to the Joint Recruiting Advertising Program (Contract # MDA 903-80-D-0531).

The plan states Grey's objectives for JRAP subcontracting and the methods it has adopted for attaining them.

COMMITMENT

Grey is committed to using its best efforts to carry out this policy in the awarding of subcontracts for the JRAP to the fullest extent consistent with the efficient performance of the contract.

Grey is further committed to cooperate in any studies or surveys that may be conducted by the Small Business Administration or the Contracting Agency which may be necessary to determine the extent of Grey's compliance with this Plan for the JRAP.

Grey will continue to reach out to identify and evaluate small, disadvantaged and women-owned businesses and offer them the maximum practicable opportunity to bid on sub-contracts made pursuant to the Joint Recruiting Advertising Program. While Grey's management for the JRAP account makes the above good-faith commitments, it is important that all concerned recognize that:

- The incidence of small business and most particularly, small disadvantaged business as it relates to our industry is small in number.
- Maximum practicable opportunity for SB/SDB to participate in the performance of this contract is limited by program budget configuration, and JRAP advertising requirements and directions.

- Grey's scope of action is limited to its authority to recommend and any decision to purchase or not purchase media time and space and other materials and services must be authorized by the JRAP.
- All suppliers must be qualified and submit bids on a competitive bid basis.
- Invitations to bid are generally limited to subcontractors located within a 150 mile radius of New York City. This limitation is prescribed primarily for potential Print Production sub-contractors in order to facilitate face-to-face contact, quick reaction and overall quality control.

SUBCONTRACTING GOALS

Grey expects that there will be approximately $17,951,000 available for subcontracting during FY '83.

After consultation between JRAP and Grey about the optimum way to reach the target audience, an advertising plan was developed whereby JRAP directed Grey to allocate $17,471,000 of the funds national media such as Reader's Digest, TV Guide, Network Television, Direct Mail, and related advertising activities. (See Following following page for details).

Of the $480,000 remaining available for subcontracting, Grey has established the following goals for the JRAP.

Small business	87%
Small disadvantaged business	13%

These goals would result in the following fund allocations:

Small business	$418,000
Small disadvantaged business	$ 62,000

While these goals are neither floors nor ceilings, they are, we believe, reasonable targets to guide Grey's best efforts to fulfill its commitment to the purposes and policies of this plan.

SMALL/SMALL DISADVANTAGED
SUBCONTRACTING OPPORTUNITIES
BUDGET SUMMARY

Opening Budget (11/82)	$ 19,251,000
Less: Agency In-House Labor (Est.)	1,300,000
Balance Available for Media/Materials/Services	$ 17,951,000

Less: Government-Directed Committments

Active Enlisted-	TV Time	$11,300,000	
	Magazine Space	2,910,000	
	High School List	270,000	
	Bar Reports	140,000	
	Direct Mail *	641,000	
eserves -	TV Time	1,900,000	
ers -	SAT/ACT Program **	310,000	$ 17,471,000

Net Available For Further Subcontracting	$ 480,000

	$	%
Small Business Goal	418,000	87
Small Disadvantaged Goal	62,000	13
Total	$480,000	100%

* Virtually none of the suppliers having the high cost capital equipment required to produce needed materials qualify as small business concerns.

** Purchased by Government on sole-source basis from Educational Testing Service (ETS) and American College Testing (ACT)

SUBCONTRACT AREAS

Grey expects to subcontract for the following products and services for JRAP in FY '83 and plans to use small and small disadvantaged businesses to the maximum extent practicable.

MEDIA: *

MAGAZINES

TELEVISION

MATERIALS AND SERVICES

ENGRAVERS

ELECTROTYPERS

STILL PHOTOGRAPHERS

CINEMATOGRAPHERS

PRINTERS

TV PRODUCTION

TYPOGRAPHERS

DIRECT MAIL SUPPLIERS

FULFILLMENT HOUSE

LETTER SHOP

* Please note that, as detailed on pages 4 and 5, media does not represent an area of opportunity for SB/SDB subcontracting in connection with JRAP's FY '83 advertising plans.

AGENCY ORGANIZATIONAL PARTICIPATION

The following departments and subsidiaries will be engaged in the kinds of subcontracting activities described below.

Account Management

General management of entire procurement program

Creative

Procurement of all out-of-pocket creative materials such as illustrations and lettering.

Media

Recommending and procurement of all appropriate media

Marketing & Research

Procurement of field interviewing services

Graphic Services

Procurement of all type, photoengraving, printing and paper.

Radio/TV Production

Procurement of all out-of-pocket radio/TV production materials such as artwork, music recording, prints, tapes and cassettes, and services such as arrangements for talent.

Subsidiaries

Grey Direct

Procurement of such services as fulfillment house, lettershop, printing, etc.

PERSONNEL

Garry Niebauer, V.P.-Mgmt. Supervisor - will be Grey Administrator of JRAP Procurement Procedures. Assisting him will be Sherman Landwehr, Senior Account Executive, and Lucy Mattimore, Administrative Assistant. Their duties will include:

1. Day-to-day plan administration.
2. Maintaining all the records
3. Submitting such periodic reports and studies as may be required by the Contracting Agency or the Small Business Administration in order to determine the extent of compliance by Grey with the subcontracting plan.
4. Working with all department heads and heads of Grey subsidiaries and those responsible for buying materials/services in all aspects of the subcontracting plan.
5. Follow-up on and coordinate all aspects of Grey's Procurement Manual for JRAP to insure that the procedures listed are followed by all concerned, in accordance with the Defense Acquisition Regulations (DAR).

SUBCONTRACTING PROCEDURES

In order to insure that Grey is at all times in compliance with its policy of maximizing the participation of small business concerns, small business concerns owned and controlled by socially and economically disadvantaged individuals and women-owned businesses in its subcontracts and the plan it has undertaken with respect thereto the following procedures shall be followed:

Administrative

- The subcontracting program shall be coordinated by the Grey Administator, JRAP Procurement Procedures, working in conjunction with his staff and other designated personnel.
- Small Business Certificates shall be sent to all businesses which are solicited for or which make bids on any subcontract.
- Qualified business, small, small disadvantaged, women-owned and otherwise will be sent the proposal or invited to send bids. A list will be maintained in the file of all businesses to which solicitations are sent and as to each an indication if it is a small, small disadvantaged, or women-owned business. With respect to all subcontracts which are in excess of $500,000 and which have subcontracting possibilities, each bidder or prospective bidder shall be notified that its subcontract must contain the "Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals" and "Utilization of Women-Owned Business Concerns" clauses.
- Grey shall place in the file each bid or other response received. For any subcontract for which a tentative decision is made to award the subcontract to other than a small, small disadvantaged or women-owned business, such decision must be approved by the department head or Grey Administration.

- Grey will maintain a Procurement Manual for the JRAP account and the administrator will familiarize all appropriate personnel with its contents and use.

Responsibility

- The head of each department at Grey and its subsidiaries which purchases products or services for JRAP shall be responsible for insuring compliance with this plan.

Outreach

- Grey shall identify each area in which products or services will be purchased. A file will be created with respect to each subcontract.
- In order to identify small businesses, small disadvantaged businesses and women-owned businesses Grey will consult source lists and files which will be maintained by Grey administrator and his staff.
- The Department Heads will consult these sources when there are appropriate subcontracting opportunities.

. In addition to consulting the standard published source lists shown in Exhibit B, Grey will also conduct the following outreach efforts:

  - Solicit vendor listings from disadvantaged owned/operated media.

    Contact other advertising agencies in an effort to identify additional small/small disadvantaged suppliers.

  - As in FY '82, place ads, at Agency expense, in Advertising Age encouraging qualified small business and disadvantaged suppliers to identify themselves.

Reporting

. On any subcontract in excess of $100,000 the file shall contain a written statement as to whether a) small business concerns were solicited, and if not why not; b) whether small disadvantaged business concerns were soliciated, and if not why not; and c) reasons for the failure of a small business or small disadvantaged business to receive the subcontract award. (See Exhibit A)

. Grey will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by Grey with its subcontracting plan for JRAP.

Record-Keeping

Grey will maintain records to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in this plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following:

- Small and disadvantaged business source lists, guides and other data identifying small and small disadvantaged business vendors.
- Organizations contacted for small disadvantaged business sources.
- Records to support other outreach efforts:
  - Contacts with minority, and small business trade associations.
  - Contacts with business development organizations.
  - Attendance at small, and minority business procurement conferences and trade fairs.

- Records to support internal activities to guide and encourage buyers:
    - Workshops, seminars, training programs
    - Monitoring activities to evaluate compliance
- On a contract-by-contract basis, records to support award data submitted to the Government to include name and address of subcontractor.
- Records showing (1) procedures which have been adopted to comply with the policies set forth in this plan, including the establishment of a source list of women-owned business concerns; (2) awards to women-owned businesses on the source list by minority and non-minority women-owned business concerns; and (3) specific efforts to identify and award contracts to women-owned business concerns.

EXHIBIT A.

SMALL/DISADVANTAGED
PROJECT REPORT

RDO #__________

PROJECT DESCRIPTION: ____

JOB FUNCTION: ______________

SUPPLIER REVIEWED	SB	SDB	W	CONT. AWARD.	REASON FOR CONTRACT NOT AWARDED

Signature - Project Director

KEY

LB - Large Business
SB - Small Business
SDB - Small Disadvantaged Business
W - Majority Ownership by Women

SUBCONTRACT AWARD

VALUE: $__________

NAME: ______________________

LB ______ SB ______ SDB ______ W ______

REASON FOR AWARD ____

EXHIBIT B

PUBLISHED SOURCES

The following sources -- as well as others which we may be able to identify -- will be consulted in obtaining the names of small, small disadvantaged, and women-owned businesses.

1. Directory of Minority Business Enterprises
   (N.Y.State Department of Commerce)
2. "Try Us"
   (National Minority Business Campaign - Private Organization)
3. Minority Business Development Agency Info (MBDA)
   (Profile Data System)
   (U.S. Dept. of Commerce)
4. U.S. Government Purchasing & Sales Directory
   (Small Business Administration and other Federal Agencies)
5. Procurement Automated Source System
   (Small Business Administration)
6. Minority Organizations, A National Directory
   (Garrett Press - Private Organization)
7. 1981 Small Business Directory of Gov't. Contacts
   (Danbury Press - Private Company)
8. National Minority Supplier Development Council
   (National Minority Purchasing Council - Private Organization)
9. Guide to Obtaining Minority Business Directory
   (National Minority Business Campaign - Private Organization)
10. Federal Procurement Policy Office
    (Office of Management & Budget)

Additional Sources

11. Insertion of advertisements in business trade journals soliciting names of minority sub-contractors in industry-related fields (i.e. printers, engravers, separators, typographers, photographers, mail list suppliers, fulfillment houses, lettershops, recording studios, etc.)

12. Grey personnel will also interface with individuals they know or can identify who may be able to suggest additional sources for appropriate vendors.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

18.

SEP 26 1980

Mr. Ed Meyer
President
Grey Advertising
777 3rd Avenue
New York, New York 10017

Dear Mr. Meyer:

The present economic situation dictates increased efforts within the Federal Government to expand the marketplace and stimulate competition. The President has asked me to enlist the active cooperation of prime contractors, including major advertising agencies and advertisers to increase participation of small, minority and women-owned businesses in the Federal contracting process. Such action will help to increase competition and productivity, produce stronger and more viable businesses, create more employment opportunities, and in the long run, improve the quality of our lives.

As you know, the Small Business Act and the Small Business Investment Act of 1958 were amended by Public Law 95-507 on October 24, 1978. This amendment provides that small and small disadvantaged business concerns be given the maximum practicable opportunity to participate in the performance of Federal contracts. More specifically, it requires for all contracts over $500,000 ($1 million in the case of construction) that the prime contractor must submit a plan for subcontracting with small and small disadvantaged firms. The Office of Federal Procurement Policy issued Policy Letter 80-2 dated April 29, 1980 to implement these requirements of the statute. A copy of Public Law 95-507 and Policy Letter 80-2 are attached.

On May 18, 1978 the President issued Executive Order 12138 (copy attached) which established a Federal program for women business owners. To implement this program, OFPP Policy Letter 80-4 (copy attached) established a best efforts clause for inclusion in all contracts over $10,000 and a program requirement in all contracts over $500,000 ($1 million for construction) for subcontracting with women-owned business.

Goals have been established for each Federal agency for awards to small, minority and women-owned firms. The President has established a government-wide $3.8 billion goal for procurement from minority owned businesses and a $212 million goal for procurement from women-owned firms for fiscal year 1980. The goals for fiscal 1981 will be established by October 1, 1980. He has directed all Federal agencies to implement Public Law 95-507 and E.O. 12138 aggressively, and to expand the share of subcontracts going to small, minority and women-owned businesses.

One of the many efforts underway is the continued expansion of the scope of contracting opportunities for minority firms, beyond the traditional areas of food and janitorial services into areas such as high technology, energy, water treatment, commercial and cable TV, audiovisual production and advertising services. With respect to advertising, the Office of Federal Procurement Policy published Policy Letter 78-1 (copy attached) in January, 1978 prescribing procedures to increase advertising contracting opportunities for minority firms. This Policy Letter also provide a directory of such firms which has been updated regularly since that date.

If these programs are to succeed, it is essential that firms such as yours actively participate in making the promise and potential of the free enterprise system a reality for all Americans, regardless of race, color, sex or national origin. There are an increasing number of small disadvantaged firms and women-owned firms attempting to establish themselves in various phases of the advertising field. As a major participant in the advertising field and a government prime contractor, we ask that you make a special effort to make subcontract awards to small, minority and women-owned firms. In your subcontracting planning take advantage of every opportunity to use these firms for your advertising needs, including newspapers, magazines, commercial TV, cable TV, audiovisual and film production and other advertising.

The President strongly applauds the Supreme Court's recent decision upholding the constitutionality of the minority business set aside provision in the 1977 Local Public Works Act. It substantially strengthens Federal efforts to increase participation of minorities in our nation's free enterprise system and once again approves the use of affirmative action as a proper tool to remedy past acts of discrimination. The Court's recent decision firmly establishes that government efforts to assist minority business in obtaining economic equality are on solid constitutional grounds.

With your full support and cooperation the public and private sectors can work in concert to strengthen our nation's economy.

For further information regarding this effort, please do not hesitate to contact me at(202) 395-5802.

Sincerely,

Karen Hastie Williams

Karen Hastie Williams
Administrator

Enclosures
78-1,80-2,80-4
95-507, E.O. 12138

Reprinted from—Federal Register / Vol. 44, No 100 / Tuesday, May 22, 1979 / Presidential Documents

Presidential Documents

Executive Order 12138 of May 18, 1979

Creating a National Women's Business Enterprise Policy and Prescribing Arrangements for Developing, Coordinating and Implementing a National Program for Women's Business Enterprise

In response to the findings of the Interagency Task Force on Women Business Owners and congressional findings that recognize:

1. the significant role which small business and women entrepreneurs can play in promoting full employment and balanced growth in our economy;

2. the many obstacles facing women entrepreneurs; and

3. the need to aid and stimulate women's business enterprise;

By the authority vested in me as President of the United States of America, in order to create a National Women's Business Enterprise Policy and to prescribe arrangements for developing, coordinating and implementing a national program for women's business enterprise, it is ordered as follows:

1–1. *Responsibilities of the Federal Departments and Agencies.*

1–101. Within the constraints of statutory authority and as otherwise permitted by law:

(a) Each department and agency of the Executive Branch shall take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system.

(b) Each department and agency shall take affirmative action in support of women's business enterprise in appropriate programs and activities including but not limited to:

(1) management, technical, financial and procurement assistance,

(2) business-related education, training, counseling and information dissemination, and

(3) procurement.

(c) Each department or agency empowered to extend Federal financial assistance to any program or activity shall issue regulations requiring the recipient of such assistance to take appropriate affirmative action in support of women's business enterprise and to prohibit actions or policies which discriminate against women's business enterprise on the ground of sex. For purposes of this subsection, Federal financial assistance means assistance extended by way of grant, cooperative agreement, loan or contract other than a contract of insurance or guaranty. These regulations shall prescribe sanctions for noncompliance. Unless otherwise specified by law, no agency sanctions shall be applied until the agency or department concerned has advised the appropriate person or persons of the failure to comply with its regulations and has determined that compliance cannot be secured by voluntary means.

1–102. For purposes of this Order, affirmative action may include, but is not limited to, creating or supporting new programs responsive to the special needs of women's business enterprise, establishing incentives to promote business or business-related opportunities for women's business enterprise, collecting and disseminating information in support of women's business enterprise, and insuring to women's business enterprise knowledge of and ready access to business-related services and resources. If, in implementing this Order, an agency undertakes to use or to require compliance with numerical set-asides, or similar measures, it shall state the purpose of such measure, and the measure shall be designed on the basis of pertinent factual findings of discrimination against women's business enterprise and the need for such measure.

1-103. In carrying out their responsibilities under Section 1-1, the departments and agencies shall consult the Department of Justice, and the Department of Justice shall provide legal guidance concerning these responsibilities.

1-2. *Establishment of the Interagency Committee on Women's Business Enterprise.*

1-201. To help insure that the actions ordered above are carried out in an effective manner, I hereby establish the Interagency Committee on Women's Business Enterprise (hereinafter called the Committee).

1-202. The Chairperson of the Committee (hereinafter called the Chairperson) shall be appointed by the President. The Chairperson shall be the presiding officer of the Committee and shall have such duties as prescribed in this Order or by the Committee in its rules of procedure. The Chairperson may also represent his or her department, agency or office on the Committee.

1-203. The Committee shall be composed of the Chairperson and other members appointed by the heads of departments and agencies from among high level policy-making officials. In making these appointments, the recommendations of the Chairperson shall be taken into consideration. The following departments and agencies and such other departments and agencies as the Chairperson shall select shall be members of the Committee: the Departments of Agriculture; Commerce; Defense; Energy; Health, Education, and Welfare; Housing and Urban Development; Interior; Justice; Labor; Transportation; Treasury; the Federal Trade Commission; General Services Administration; National Science Foundation; Office of Federal Procurement Policy; and the Small Business Administration. These members shall have a vote. Nonvoting members shall include the Executive Director of the Committee and at least one but no more than three representatives from the Executive Office of the President appointed by the President.

1-204. The Committee shall meet at least quarterly at the call of the Chairperson, and at such other times as may be determined to be useful according to the rules of procedure adopted by the Committee.

1-205. The Administrator of the Small Business Administration shall provide an Executive Director and adequate staff and administrative support for the Committee. The staff shall be located in the Office of the Chief Counsel for Advocacy of the Small Business Administration, or in such other office as may be established specifically to further the policies expressed herein. Nothing in this Section prohibits the use of other properly available funds and resources in support of the Committee.

1-3. *Functions of the Committee.* The Committee shall in a manner consistent with law:

1-301. Promote, coordinate and monitor the plans, programs and operations of the departments and agencies of the Executive Branch which may contribute to the establishment, preservation and strengthening of women's business enterprise. It may, as appropriate, develop comprehensive interagency plans and specific program goals for women's business enterprise with the cooperation of the departments and agencies.

1-302. Establish such policies, definitions, procedures and guidelines to govern the implementation, interpretation and application of this order, and generally perform such functions and take such steps as the Committee may deem to be necessary or appropriate to achieve the purposes and carry out the provisions hereof.

1-303. Promote the mobilization of activities and resources of State and local governments, business and trade associations, private industry, colleges and universities, foundations, professional organizations, and volunteer and other groups toward the growth of women's business enterprise, and facilitate the coordination of the efforts of these groups with those of the departments and agencies.

1-304. Make an annual assessment of the progress made in the Federal Government toward assisting women's business enterprise to enter the mainstream of business ownership and to provide recommendations for future actions to the President.

1-305. Convene and consult as necessary with persons inside and outside government to develop and promote new ideas concerning the development of women's business enterprise.

1-306. Consider the findings and recommendations of government and private sector investigations and studies of the problems of women entrepreneurs, and promote further research into such problems.

1-307. Design a comprehensive and innovative plan for a joint Federal and private sector effort to develop increased numbers of new women-owned businesses and larger and more successful women-owned businesses. The plan should set specific reasonable targets which can be achieved at reasonable and identifiable costs and should provide for the measurement of progress towards these targets at the end of two and five years. Related outcomes such as income and tax revenues generated, jobs created, new products and services introduced or new domestic or foreign markets created should also be projected and measured in relation to costs wherever possible. The Committee should submit the plan to the President for approval within six months of the effective date of this Order.

1-4. *Other Responsibilities of the Federal Departments and Agencies.*

1-401. The head of each department and agency shall designate a high level official to have the responsibility for the participation and cooperation of that department or agency in carrying out this Executive order. This person may be the same person who is the department or agency's representative to the Committee.

1-402. To the extent permitted by law, each department and agency upon request by the Chairperson shall furnish information, assistance and reports and otherwise cooperate with the Chairperson and the Committee in the performance of their functions hereunder. Each department or agency shall ensure that systematic data collection processes are capable of providing the Committee current data helpful in evaluating and promoting the efforts herein described.

1-403. The officials designated under Section 1-401, when so requested, shall review the policies and programs of the women's business enterprise program, and shall keep the Chairperson informed of proposed budget, plans and programs of their departments or agencies affecting women's business enterprise.

1-404. Each Federal department or agency, within constraints of law, shall continue current efforts to foster and promote women's business enterprise and to support the program herein set forth, and shall cooperate with the Chairperson and the Committee in increasing the total Federal effort.

1-5. *Reports.*

1-501. The Chairperson shall, promptly after the close of the fiscal year, submit to the President a full report of the activities of the Committee hereunder during the previous fiscal year. Further, the Chairperson shall, from time to time, submit to the President the Committee's recommendations for legislation or other action to promote the purposes of this Order.

1–502. Each Federal department and agency shall report to the Chairperson as hereinabove provided on a timely basis so that the Chairperson and the Committee can consider such reports for the Committee report to the President.

1–6 *Definitions.* For the purposes of this Order, the following definitions shall apply:

1–601. "Women-owned business" means a business that is at least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

1–602. "Women's business enterprise" means a woman-owned business or businesses or the efforts of a woman or women to establish, maintain or develop such a business or businesses.

1–603. Nothing in subsections 1–601 or 1–602 of this Section (1–6) should be construed to prohibit the use of other definitions of a woman-owned business or women's business enterprise by departments and agencies of the Executive Branch where other definitions are deemed reasonable and useful for any purpose not inconsistent with the purposes of this Order. Wherever feasible, departments and agencies should use the definition of a woman-owned business in subsection 1–601 above for monitoring performance with respect to women's business enterprise in order to assure comparability of data throughout the Federal Government.

1–7. *Construction.* Nothing in this Order shall be construed as limiting the meaning or effect of any existing Executive order.

Jimmy Carter

THE WHITE HOUSE,
May 18, 1979.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

24.

JAN 31 1978

POLICY LETTER NO. 78-1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Increased Minority Business Participation
in Advertising Contracts

Recently, the President directed that purchases from minority firms be doubled over the next 2 years. Increasing the minority business share of media advertising is an important part of this effort. Black media organizations met in 1977 at the White House with Federal Government officials to discuss methods of achieving this increase. This Office has been cooperating with the Office of Telecommunications Policy and the White House staff in this effort.

As part of the national program to increase Federal Government minority business awards and in the interest of increasing awards to minority advertising agencies and other minority media organizations, the Departments and Agencies shall observe the following policies:

1. Contracts with advertising agencies shall not exceed 3 years, inclusive of options. This will increase competition, help to reduce single advertising agency control of contracts, and help enable minority advertising companies to obtain Government contracts.

2. In preparing requirements for procurement of advertising services, a formal review shall be conducted, at the earliest practicable date in the requirement cycle, to ascertain which portions of the requirement can be broken out and reserved for procurement solicitations on which minority and other small firms can compete. Large multimillion dollar awards to a single advertising agency should be discouraged in the interest of maximizing competition.

A list of minority advertising agencies and media outlets will be made available to Departments and Agencies at an early date, and each Department and Agency shall make every effort to apprise them of all contracting and subcontracting opportunities.

I request that all Departments and Agencies inform the Office of Federal Procurement Policy within 6 months of: (1) progress made in increasing advertising awards to minority firms; and (2) whether minority firms are available to provide the services required and, if they are available and are not being utilized, why they are not being utilized.

Les Fettig

Lester A. Fettig
Administrator

Community injection funds. 15 USC 696.

SEC. 112. Section 302 of the Small Business Investment Act of 1958 is amended by adding at the end of paragraph (4) the following new sentence: "Community injection funds may be derived, in whole or in part, from—

"(A) State or local governments;

"(B) banks or other financial institutions;

"(C) foundations or other not-for-profit institutions; or

"(D) a small business concern (or its owners, stockholders, or affiliates) receiving assistance through bodies authorized under this title.".

TITLE II—AMENDMENTS TO THE SMALL BUSINESS ACT

CHAPTER 1

15 USC 631.

SEC. 201. Section 2 of the Small Business Act is amended by adding at the end thereof the following new subsection:

"(e)(1) With respect to the Administration's business development programs the Congress finds—

"(A) that the opportunity for full participation in our free enterprise system by socially and economically disadvantaged persons is essential if we are to obtain social and economic equality for such persons and improve the functioning of our national economy;

"(B) that many such persons are socially disadvantaged because of their identification as members of certain groups that have suffered the effects of discriminatory practices or similar invidious circumstances over which they have no control;

"(C) that such groups include, but are not limited to, Black Americans, Hispanic Americans, Native Americans, and other minorities;

"(D) that it is in the national interest to expeditiously ameliorate the conditions of socially and economically disadvantaged groups;

"(E) that such conditions can be improved by providing the maximum practicable opportunity for the development of small business concerns owned by members of socially and economically disadvantaged groups;

"(F) that such development can be materially advanced through the procurement by the United States of articles, equipment, supplies, services, materials, and construction work from such concerns; and

"(G) that such procurements also benefit the United States by encouraging the expansion of suppliers for such procurements, thereby encouraging competition among such suppliers and promoting economy in such procurements.

Post, p. 1761.

"(2) It is, therefore, the purpose of section 8(a) to—

"(A) foster business ownership by individuals who are both socially and economically disadvantaged;

"(B) promote the competitive viability of such firms by providing such available contract, financial, technical, and management assistance as may be necessary; and

"(C) clarify and expand the program for the procurement by the United States of articles, equipment, supplies, services, materials, and construction work from small business concerns owned by socially and economically disadvantaged individuals.".

Procurement contracts.

SEC. 202. (a) Section 8(a) of the Small Business Act (15 U.S.C. 637(a)) is amended to read as follows:

"SEC. 8. (a)(1) It shall be the duty of the Administration and it is hereby empowered, whenever it determines such action is necessary or appropriate—

"(A) to enter into contracts with the United States Government and any department, agency, or officer thereof having procurement powers obligating the Administration to furnish articles, equipment, supplies, services, or materials to the Government or to perform construction work for the Government. In any case in which the Administration certifies to any officer of the Government having procurement powers that the Administration is competent and responsible to perform any specific Government procurement contract to be let by any such officer, such officer shall be authorized in his discretion to let such procurement contract to the Administration upon such terms and conditions as may be agreed upon between the Administration and the procurement officer. Whenever the Administration and such procurement officer fail to agree, the matter shall be submitted for determination to the Secretary or the head of the appropriate department or agency by the Administrator;

"(B) to enter into contracts with such agency, as shall be designated by the President within 60 days after the effective date of this paragraph, to furnish articles, equipment, supplies, services, or materials, or to perform construction work for such agency. In any case in which the Administration certifies to any officer of such agency having procurement powers that the Administration is competent and responsible to perform any specific procurement contract to be let by any such officer, such officer shall let such procurement contract to the Administration upon such terms and conditions as may be agreed upon between the Administration and the procurement officer. If the Administration and such procurement officer fail to agree on such terms and conditions, either the Administration or such officer shall promptly notify, in writing, the head of such agency. The head of such agency shall have five days (exclusive of Saturdays, Sundays, and legal holidays) to establish the terms and conditions upon which such procurement contract may be let to the Administration, and shall communicate in writing to the Administration the terms and conditions so established. Within five days (exclusive of Saturdays, Sundays, and legal holidays) after the receipt of such written communication, the Administration shall decide whether to perform such procurement contract or withdraw its prior certification that the Administration is competent and responsible to perform such contract; and

"(C) to arrange for the performance of such procurement contracts by negotiating or otherwise letting subcontracts to socially and economically disadvantaged small business concerns for construction work, services, or the manufacture, supply, assembly of such articles, equipment, supplies, materials, or parts thereof, or servicing or processing in connection therewith, or such management services as may be necessary to enable the Administration to perform such contracts.

"No contract may be entered into under subparagraph (B) after September 30, 1980.

Performance bonds.

"(2) Notwithstanding subsections (a) and (c) of the first section of the Act entitled 'An Act requiring contracts for the construction, alteration, and repair of any public building or public work of the United States to be accompanied by a performance bond protecting the United States and by additional bond for the protection of persons furnishing material and labor for the construction, alteration, or repair of said public buildings or public work,' approved August 24, 1935 (49 Stat. 793), no small business concern shall be required to provide any amount of any bond as a condition of receiving any subcontract under this subsection if the Administrator determines that such amount is inappropriate for such concern in performing such contract: *Provided*, That the Administrator shall exercise the authority granted by the paragraph only if—

"(A) the Administration takes such measures as it deems appropriate for the protection of persons furnishing materials and labor to a small business receiving any benefit pursuant to this paragraph;

"(B) the Administration assists, insofar as practicable, a small business receiving the benefits of this paragraph to develop, within a reasonable period of time, such financial and other capability as may be needed to obtain such bonds as the Administration may subsequently require for the successful completion of any program conducted under the authority of this subsection;

"(C) the Administration finds that such small business is unable to obtain the requisite bond or bonds from a surety and that no surety is willing to issue such bond or bonds subject to the guarantee provisions of Title IV of the Small Business Investment Act of 1958; and

"(D) the small business is determined to be a start-up concern and such concern has not been participating in any program conducted under the authority of this subsection for a period exceeding one year.

"This paragraph shall not apply after September 30, 1980.

"(3) Any small business concern selected by the Administration to perform any Federal Government procurement contract to be let pursuant to this subsection shall, when practicable, participate in any negotiation of the terms and conditions of such contract.

"Socially and economically disadvantaged small business concern."

"(4) For purposes of this section, the term 'socially and economically disadvantaged small business concern' means any small business concern—

"(A) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

"(B) whose management and daily business operations are controlled by one or more of such individuals.

"Socially disadvantaged individuals."

"(5) Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.

"Economically disadvantaged individuals."

"(6) Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged. In determining the degree of diminished credit and capital opportunities the Administration shall consider, but not be limited to, the assets and net worth of such socially disadvantaged individual.

"(7) No small business concern shall be deemed eligible for any assistance pursuant to this subsection unless the Administration determines that with contract, financial, technical, and management support the small business concern will be able to perform contracts which may be awarded to such concern under paragraph (1)(C) and has reasonable prospects for success in competing in the private sector.

Determinations.

"(8) All determinations made pursuant to paragraphs (4), (5), (6) and (7), shall be made by the Associate Administrator for Minority Small Business and Capital Ownership Development.

Publication in Federal Register.

"(9) Within ninety days after the effective date of this paragraph, the Administration shall publish in the Federal Register rules setting forth those conditions or circumstances pursuant to which a firm previously deemed eligible by the Administration may be denied assistance under the provisions of this subsection: *Provided*, That no such firm shall be denied total participation in any program conducted under the authority of this subsection without first being afforded a hearing on the record in accordance with chapter 5 of title 5, United States Code.

"(10) The Administration shall develop and implement an outreach program to inform and recruit small business concerns to apply for eligibility for assistance under this subsection.

"(11) To the maximum extent practicable, construction subcontracts awarded by the Administration pursuant to this subsection shall be awarded within the county or State where the work is to be performed.

Annual estimate.

"(12) To the maximum extent practicable the Associate Administrator for Minority Small Business and Capital Ownership Development shall submit, no less frequently than annually, a yearly estimate of the dollar amounts and types of contracts required for the efficient use of any program conducted under the authority of this subsection, to each agency which may participate in such program.".

Report to Congress.

Ante, p. 1761.

Ante, p. 1760.

(b) Not later than June 30, 1980, the General Accounting Office shall submit to the Congress a report which, with respect to provisions of paragraphs (1)(B) and (2) of section 8(a) of the Small Business Act, shall evaluate the implementation of such provisions and whether such implementation furthered the purposes under section 2(e) of the Small Business Act.

15 USC 631.

SEC. 203. Section 2(c) of the Small Business Act is amended by inserting "(1)" after "(c)" and by adding at the end thereof the following new paragraph:

Post, p. 1764.

"(2)(A) With respect to the programs authorized by section 7(j) of this Act, the Congress finds—

"(i) that ownership and control of productive capital is concentrated in the economy of the United States and certain groups, therefore, own and control little productive capital;

"(ii) that certain groups in the United States own and control little productive capital because they have limited opportunities for small business ownership;

"(iii) that the broadening of small business ownership among groups that presently own and control little productive capital is essential to provide for the well-being of this Nation by promoting their increased participation in the free enterprise system of the United States;

"(iv) that such development of business ownership among groups that presently own and control little productive capital will be greatly facilitated through the creation of a small business ownership development program, which shall provide services, including, but not limited to, financial, management, and technical assistanc[illegible]

Ante, p. 1761.

"([illegible]) [illegible] the power to let sole source Federal contracts pursuant to section 8([illegible] of the Small Business Act can be an effective procurement as[illegible] tool for development of business ownership among groups [illegible] own and control little productive capital; and

"(vi) that the procurement authority under section 8(a) of the Small Business Act shall be used only as a tool for developing business ownership among groups that own and control little productive-capital.

Infra.

"(B) It is, therefore, the purpose of the programs authorized by section 7(j) of this Act to—

"(i) foster business ownership by individuals in groups that own and control little productive capital; and

"(ii) promote the competitive viability of such firms by creating a small business and capital ownership development program to provide such available financial, technical, and management assistance as may be necessary.".

Sec. 204. Section 7(j) of the Small Business Act is amended to read as follows:

Technical and management assistance.

"(j)(1) The Administration shall provide financial assistance to public or private organizations to pay all or part of the cost of projects designed to provide technical or management assistance to individuals or enterprises eligible for assistance under sections 7(i), 7(j)(10), and 8(a) of this Act, with special attention to small businesses located in areas of high concentration of unemployed or low-income individuals, to small businesses eligible to receive contracts pursuant to section 8(a) of this Act.

"(2) Financial assistance under this subsection may be provided for projects, including, but not limited to—

"(A) planning and research, including feasibility studies and market research;

"(B) the identification and development of new business opportunities;

"(C) the furnishing of centralized services with regard to public services and Federal Government programs including programs authorized under sections 7(i), (7)(j)(10), and 8(a) of this Act;

"(D) the establishment and strengthening of business service agencies, including trade associations and cooperatives; and

"(E) the furnishing of business counseling, management training, and legal and other related services, with special emphasis on the development of management training programs using the resources of the business community, including the development of management training opportunities in existing business, and with emphasis in all cases upon providing management training of sufficient scope and duration to develop entrepreneurial and managerial self-sufficiency on the part of the individuals served.

Subcontract placements with businesses located in certain areas.

"(3) The Administration shall encourage the placement of subcontracts by businesses with small business concerns located in areas of high concentration of unemployed or low-income individuals, with small businesses owned by low-income individuals, and with small businesses eligible to receive contracts pursuant to section 8(a) of this Act. The Administration may provide incentives and assistance to such businesses that will aid in the training and upgrading of potential subcontractors or other small business concerns eligible for assistance under sections 7(i), 7(j), and 8(a) of this Act.

Ante, p. 1761.

15 USC 636
Ante, p. 1764.

Advisory committee, establishment.
Membership.

"(A) An advisory committee composed of five high-level officers from five United States businesses and five representatives of minority small businesses shall be created to facilitate the achievement of the purposes of this paragraph. The members of the advisory committee shall be appointed by the President. The chairman of the advisory committee, who shall be designated by the President shall report annually to the President and to the Congress on the activities of the advisory committee.

Report to Congress.

"(B) The General Accounting Office shall evaluate the activities taken by the Administration to achieve the purpose of this paragraph and evaluate the success of these activities in achieving the purposes of this paragraph. The General Accounting Office shall report to the Congress by January 1, 1981, and at any time thereafter at the discretion of the Comptroller General, on the findings of this evaluation and shall make recommendations on actions needed to improve the Administration's performance pursuant to this paragraph.

"(4) The Administration shall give preference to projects which promote the ownership, participation in ownership, or management of small businesses owned by low-income individuals and small businesses eligible to receive contracts pursuant to section 8(a) of this Act.

Grants and contracts.

"(5) The financial assistance authorized for projects under this subsection includes assistance advanced by grant, agreement, or contract.

"(6) The Administration is authorized to make payments under grants and contracts entered into under this subsection in lump sum or installments, and in advance or by way of reimbursement, and in the case of grants, with necessary adjustments on account of overpayments or underpayments.

"(7) To the extent feasible, services under this subsection shall be provided in a location which is easily accessible to the individuals and small business concerns served.

Program evaluation.

Report to Congress.

"(8) The General Accounting Office shall provide for an independent and continuing evaluation of programs under sections 7(i), 7(j), and 8(a) of this Act, including full information on, and analysis of, the character and impact of managerial assistance provided, the location, income characteristics, and extent to which private resources and skills have been involved in these programs. Such evaluation together with any recommendations deemed advisable by the Comptroller General shall be reported to the Congress by January 1, 1981, and at any time thereafter at the discretion of the Comptroller General.

"(9) The Administration shall take such steps as may be necessary and appropriate, in coordination and cooperation with the heads of other Federal departments and agencies, to insure that contracts, subcontracts, and deposits made by the Federal Government or with programs aided with Federal funds are placed in such way as to further the purposes of sections 7(i), 7(j), and 8(a) of this Act.

Small business and capital ownership development program, establishment.

"(10) There is established within the Administration a small business and capital ownership development program (hereinafter referred to as the 'Program') which shall provide assistance exclusively for small business concerns eligible to receive contracts pursuant to section 8(a) of this Act. The management of the Program shall be vested in the Associate Administrator for Minority Small

Business and Capital Ownership Development who shall also manage all other services and activities authorized under sections 7(j) and 8(a) of this Act.

Ante, pp. 1764, 1761.

"(A) The Program shall—

"(i) assist small business concerns participating in the Program to develop comprehensive business plans with specific business targets, objectives, and goals;

"(ii) provide for such other nonfinancial services as deemed necessary for the establishment, preservation, and growth of small business concerns participating in the Program, including but not limited to (I) loan packaging, (II) financial counseling, (III) accounting and bookkeeping assistance, (IV) marketing assistance, and (V) management assistance;

"(iii) assist small business concerns participating in the Program to obtain equity and debt financing;

"(iv) establish regular performance monitoring and reporting systems for small business concerns participating in the Program to assure compliance with their business plans;

"(v) analyze and report the causes of success and failure of small business concerns participating in the Program; and

"(vi) provide assistance necessary to help small business concerns participating in the Program to procure surety bonds, with such assistance including, but not limited to, (I) the preparation of application forms required to receive a surety bond, (II) special management and technical assistance designed to meet the specific needs of small business concerns participating in the Program and which have received or are applying to receive a surety bond, and (III) preparation of all forms necessary to receive a surety bond guarantee from the Administration pursuant to title IV, part B of the Small Business Investment Act of 1958.

15 USC 694a.

"(B) Small business concerns eligible to receive contracts pursuant to section 8(a) of this Act shall participate in the Program.

"(C) No small business concern shall receive a contract pursuant to section 8(a) of this Act unless the Program is able to provide such small business concern with, but not limited to, such management, technical, and financial services as may be necessary to promote the competitive viability of the small business concern within a reasonable period of time.

Responsibilities.

"(11) The Associate Administrator for Minority Small Business and Capital Ownership Development shall be responsible for coordinating and formulating policies relating to Federal assistance to small business concerns eligible for assistance under section 7(i) of this Act and small business concerns eligible to receive contracts pursuant to section 8(a) of this Act.".

SEC. 205. Section 7(k) of the Small Business Act is amended by striking the words "7(i) and 7(j)" and inserting in lieu thereof "7(i), 7(j), and 8(a)".

15 USC 633.

SEC. 206. Section 4(b) of the Small Business Act is amended by striking "Associate Administrator for Minority Small Business" where it appears therein and by substituting the following: "Associate Administrator for Minority Small Business and Capital Ownership Development".

Sec. 207. Nothing in this chapter is intended to duplicate or limit any programs or projects administered by the Department of Commerce. 15 USC 647 note.

Chapter 2

Sec. 211. Section 8(d) of the Small Business Act is amended to read as follows:

Contract opportunities for certain small business concerns.
15 USC 637.

"(d)(1) It is the policy of the United States that small business concerns, and small business concerns owned and controlled by socially and economically disadvantaged individuals, shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

"(2) The clause stated in paragraph (3) shall be included in all contracts let by any Federal agency except any contract which—

"(A) does not exceed $10,000;

"(B) including all subcontracts under such contracts will be performed entirely outside of any State, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico; or

"(C) is for services which are personal in nature.

"(3) The clause required by paragraph (2) shall be as follows:

"'(A) It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

"'(B) The contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract. The contractor further agrees to cooperate in any studies or surveys as may be conducted by the United States Small Business Administration or the awarding agency of the United States as may be necessary to determine the extent of the contractor's compliance with this clause.

Definitions.
15 USC 632.

"'(C) As used in this contract, the term "small business concern" shall mean a small business as defined pursuant to section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto. The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern—

"'(i) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

"'(ii) whose management and daily business operations are controlled by one or more of such individuals.

"'The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, and other minorities, or any other individual found to be disadvantaged by the Administration pursuant to section 8(a) of the Small Business Act.

"'(D) Contractors acting in good faith may rely on written representations by their subcontractors regarding their status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.'

Question 2:

SBA has testified that the consolidation of a number of requirements into large umbrella contracts has affected small businesses' share of the federal procurement dollar. This committee has been alerted to a number of consolidations that have resulted in the displacement of small and small disadvantaged businesses as prime contractors. Based upon one investigation of a DoD procurement, GAO concluded that procurement activities rely too heavily upon subcontracting opportunities for small businesses as compensation for the loss of prime contract awards.

Has your office examined this procurement practice to determine how to redress the adverse impact this procurement practice has had on the small and minority business community as prime contractors?

Answer:

The DoD Small and Disadvantaged Business Utilization Office has reviewed GAO report number GAO/NSIAD 83-20 dated August 1983 titled "How Selected DoD Consolidation Efforts Affected Small Business Opportunities". The report included a conclusion that activities may be relying too heavily on subcontracting to compensate for the loss of prime contracting opportunities by small and disadvantaged business. Regarding this finding by the GAO, the Deputy Secretary of Defense's guidance requires the services to negotiate aggressive subcontracting opportunities and plans for small business. This is intended as an appropriate trade-off to the loss of prime contracting opportunities, not an over-reliance on subcontracting. In addition, our office of Small and Disadvantaged Business Utilization is reviewing DoD's present practice to determine if there are other alternatives which will help to insure maximum opportunities for participation by small and disadvantaged business as subcontractors under such consolidation efforts. One area for examination is how to bring in many more small firms as umbrella contractors now that the size standard has been raised to $13 million average annual gross receipts over a three year period.

TESTIMONY OF WILLIAM F. SULLIVAN, ASSOCIATE DEPUTY ADMINISTRATOR FOR LOGISTICS, VETERANS' ADMINISTRATION, ACCOMPANIED BY CLYDE COOK, DIRECTOR, OFFICE OF PROCUREMENT AND SUPPLY; AND RAMSEY ALEXANDER, SPECIAL ASSISTANT FOR EQUAL OPPORTUNITY, OFFICE OF CONSTRUCTION, VA

Mr. SULLIVAN. Mr. Chairman, I appreciate the opportunity to appear before this committee today. I'm accompanied by Clyde Cook, who is the Director of our Office of Procurement and Supply, and Ramsey Alexander, who is the Special Assistant for Equal Opportunity in our Office of Construction.

I'll just briefly summarize my testimony for you.

Mr. MITCHELL. Without objection, your entire statement will be submitted for the record.

[Mr. Sullivan's prepared statement with attachments follows:]

PREPARED STATEMENT OF WILLIAM F. SULLIVAN, ASSOCIATE DEPUTY ADMINISTRATOR FOR LOGISTICS, VETERANS ADMINISTRATION

Mr. Chairman, we appreciate this opportunity to appear before this Committee in response to your invitation to discuss the implementation of the subcontracting program established under Section 211 of Public Law 95-507. I am accompanied by Clyde Cook, Director, Office of Procurement and Supply and William Fote, Deputy Director, Office of Construction.

I would like to briefly discuss our socio-economic procurement programs and submit my entire statement for the record.

Mr. Chairman, the Veterans Administration has made significant progress in implementing programmatic requirements contained in Public Law 95-507.

In November 1982, I obtained approval from the Administrator of Veterans' Affairs to elevate the VA Office of Small and Disadvantaged Business Utilization to an independent office under my jurisdiction. As the designated head of the office and in my capacity as the Associate Deputy Administrator for Logistics, I ensure that matters involving small and small disadvantaged business get the high level visibility and attention intended in Public Law 95-507. In the last year, I have increased the staff and resources available for this program. Dividends from these improvements are already evident. In Fiscal Year 1983, we had a record year for contract awards to minority firms and women-owned firms, with a 30.5 percent and 24.6 percent increase respectively, from Fiscal Year 1982 to Fiscal Year 1983.

To continue this improvement we are also looking at new minority business opportunities in industries previously unexplored by the VA. For example, we are, for the first time, in the process of awarding the installation and maintenance of telephone systems at seven of our medical centers to 8(a) firms. In addition, the VA is identifying A/E design requirements to be set-aside for the 8(a) program.

Another initiative we are implementing is an outreach program for small businesses owned and operated by Vietnam Era veterans and disabled veterans. The purpose of this outreach effort is to inform veteran owned small businesses of the opportunities for contract awards in our procurement and construction programs. In support of this program, two regional cable television shows were recently produced in Kansas City and various public service announcements are being televised around the country.

In conclusion, Mr. Chairman, I would like to state that the Veterans Administration will continue to seek out small businesses and small disadvantaged businesses in order to increase our awards in all of our socio-economic procurement programs.

Mr. Chairman, this concludes my prepared statement. I have furnished written responses to the questions in your letter of March 20, 1984, regarding subcontracting requirements in PL 95-507. Mr. Cook and Mr. Fote will be able to elaborate on the VA's response to these questions. I will also be happy to answer any questions the committee may have.

Thank you.

VA RESPONSE TO THE SUGGESTED QUESTIONS IN YOUR LETTER OF MARCH 20, 1984

1. Number and dollar value of contracts awarded during the last three years which contained subcontracting plans:

	NUMBER CONTRACTS	DOLLAR VALUE
1981	171	$ 551,477,991
1982	188	671,504,029
1983	218	903,046,754
TOTAL	577	$2,126,028,774

2. Number and dollar value of contracts awarded during last three years which did not contain subcontracting plans, but which were required by law to contain such plans.

   None.

   What corrective action was taken regarding these awards?

   Not Applicable.

   How many contracts have not been modified to include plans?

   Not Applicable.

3. How many plans did SBA review during the last three years?

Number: 577

What was the number found deficient and dollar value of the contracts?

Number: 1 Dollar Value: $61,253,000

4. Total dollar value of all subcontracts awarded during the last three years under prime contracts containing plans and the dollar value and percentage of subcontracts awarded to small and small disadvantaged businesses.

1981 Not available (The use of Optional Form 61 for commercial products reports resulted in Government-wide distortions of subcontracting achievements).

	TOTAL SUBCONTRACTING	SUBCONTRACTING TO SMALL BUSINESS		SUBCONTRACT TO SMALL DISADVANTAGED BUSINESS	
1982	$357,101,612	$133,935,766	(37.5%)	$20,391,411	(5.7%)
1983	465,718,702	169,708,408	(36.4%)	20,430,897	(4.4%)
TOTAL	$822,820,314	$303,644,174	(36.9%)	40,822,308	(5%)

5. Total number and dollar value of all prime contracts awarded where the prime was found to be in noncompliance and any remedial actions taken including debarment proceedings.

None.

6. Describe any outreach program that the Veterans Administration may have to assist small and small disadvantaged businesses interested in subcontracting with the Veterans Administration's large prime contractors.

The VA Acquisition Regulations (VAAR) require each headquarters office and all VA field stations with supply activities to designate an employee to serve as a small and small disadvantaged business specialist, familiar with the supplies and services purchased and fully congnizant of the regulations implementing the Small Business Act. The principal duties will include assisting the SBA Procurement Center Representative (PCR) where assigned, in activities and functions relating to Section 8 and 15 of the Small Business Act.

In addition, the VA small and small disadvantaged business specialists assigned to the OSDBU regularly attend conferences and meetings designed to attract small business participation in both prime and subcontracts. We fully expect to continue and expand this outreach.

7. Give the number and dollar value of prime contracts awarded where the goals recited in plans were not met. What is the average goal attainment for both small and small disadvantaged business?

Additional analysis is required to respond to this question. Upon completion of our analysis we will furnish this information for the record.

8. What were your subcontracting program goals for the last three fiscal years?

Were goals met? If not, explain.

1981

	GOAL	ACHIEVEMENT
Small Business	$235,000,000	/1
Small Disadvantaged Business	$ 46,900,000	/1

1982

	GOAL	ACHIEVEMENT
Small Business	$109,961,411	$133,935,766
Small Disadvantaged Business	$ 18,894,000	$ 20,391,411

/1 As the result of the use of Optional Form 61 for commercial product reports, it was impossible to assess the success of the subcontracting program for Fiscal Year 1981.

1983

	GOAL	ACHIEVEMENT
Small Business	$208,700,000	$169,708,400/2
Small Disadvantaged Business	$ 24,100,000	$ 20,430,897 /2

/2 The reason for the shortfall was that a substantial number of procurements was for highly technical equipment that did not offer substantial subcontracting opportunities.

ACTIONS TAKEN BY THE VETERANS ADMINISTRATION IN RESPONSE TO RECOMMENDATIONS ADDRESSED TO ALL FEDERAL BUYING AGENCIES IN HOUSE REPORT 97-956

A. We will furnish in a separate report, information required by House Report 97-956 item 1, (a)(b)(c)(d) for the 1st quarter FY 1984.

B. Response to the balance follows:

1. Provide SBA with adequate and timely information with respect to the award of contracts covered by Section 211.

   VA promptly provides SBA Regional and Central Office with appropriate and timely information required by Section 211 and Federal Acquisition Regulations (FAR).

2. Commence contract debarment proceedings against any contractor who is determined to have violated more than one plan.

   No debarment actions were required or initiated during this period.

3. Include in the personnel performance standards of all ACO's and PCO's stringent requirements for the expeditious and vigorous enforcement of the subcontracting program.

The personnel performance standards are written and controlled independently at each VA office or facility. They have been directed to include in each performance standard, their performance in achieving the socio-economic procurement goals which includes subcontracting requirements.

Mr. SULLIVAN. Thank you, Mr. Chairman.

Mr. Chairman, the Veterans' Administration has made significant progress in implementing programmatic requirements contained in Public Law 95–507. In November 1982, I elevated the VA Office of Small and Disadvantaged Business Utilization to an independent office under my personal jurisdiction. As the designated head of the office and in my capacity as the Associate Deputy Administrator for Logistics, I ensure that matters involving small and disadvantaged business get the high level visibility and attention intended in Public Law 95–507.

In the last year, I have increased the staff and resources available for this program. Dividends from these improvements are already evident. In fiscal year 1983, we had a record year for contract awards to minority firms and women-owned business firms, with 30.5 percent and 24.6 percent increase, respectively, from fiscal year 1982 to fiscal year 1983.

To continue this improvement, we're also looking at new minority business opportunities in industries previously unexplored by the VA. For example, we are for the first time in the process of awarding installation and maintenance of telephone system contracts to seven 8(a) firms at seven of our medical centers. Also, for the first time, the VA is identifying architecture and design requirements to be set aside for 8(a) architecture firms. In another initiative, we're implementing an outreach program for small businesses which are owned and operated by Vietnam era veterans and disabled veterans. The purpose of this outreach effort is to inform veteran-owned small businesses of the opportunities for contract awards in our procurement and construction programs.

In conclusion, Mr. Chairman, I would like to state that the VA will continue to seek out small business and small disadvantaged business in order to increase our awards in all of our socioeconomic procurement programs.

This concludes my statement. Thank you.

Mr. MITCHELL. We'll take all the testimony and then go for questions, if that's all right. Mr. Beres.

[Mr. Beres' prepared statement with attachments follows:]

PREPARED STATEMENT OF ALLAN W. BERES, ASSISTANT ADMINISTRATOR, OFFICE OF ACQUISITION POLICY, GENERAL SERVICES ADMINISTRATION

I am pleased to appear before you today to discuss the General Services Administration's implementation of Public Law 95-507. I have with me today John Wynn, Director of GSA's Office of Small and Disadvantaged Business Utilization and his Deputy, Calvin Snowden.

GSA has taken the necessary actions to implement the requirements of Pub. L. 95-507 in its contracting process. Although we experienced some difficulties in our early implementation efforts, these difficulties were quickly resolved through the establishment of internal management controls and contracting procedures. These were designed to ensure that the requirements of Pub. L. 95-507 were being carried out and would continue to be carried out in our contracting operations.

GSA's management is committed to the goal of providing small and small and disadvantaged business firms with the maximum practical opportunity to participate in GSA's procurement programs. In fact Mr. Chairman, in FY 1983, 34 percent of GSA's procurement dollars were awarded to small business concerns. Our commitment is further evidenced in GSA's implementation of the subcontracting provisions in section 211 of the Pub. L. 95-507. GSA's Office of Small and Disadvantaged Business Utilization reports that during the past three fiscal years GSA has compiled a very positive record in complying with the Section 211 provisions. Let me cite some examples:

- GSA awarded 1,701 contracts that required subcontracting plans. These contracts were valued at approximately 10 billion dollars.

° The total dollar value of subcontracts let under these contracts amounted to 8.1 billion dollars. Of this amount, small business firms received 2 billion dollars and small and disadvantaged businesses received 66 million dollars.

° None of the subcontracting plans were found deficient.

° GSA has increased its goal attainment for subcontracts to small business from 60% or 639 million dollars in FY 1981 to 91% or 978 million in FY 1983. For subcontracts to Small and disadvantaged business goal attainment increased from 26% of 15 million in FY 1981 to 77% or 39 million in FY 1983. GSA's achievements are even more dramatic when you realize that our goals have themselves increased each year.

° We have made a great deal of progress since 1980 in implementing the subcontracting program with regard to public utility companies. In 1980, five contracts were deficient, i.e., did not contain subcontracting plans.

In fiscal years 1981, 1982 and 1983, however, 17 contracts valued at 390 million dollars were awarded which contained subcontracting plans. These contracts had goals of 20% or 78 million dollars for small business concerns and 3% or 12 million dollars for small and disadvantaged business concerns. Although we have made these strides, some public utilities firms still are reluctant to sign contracts which require the submission of subcontracting plan.

° To ensure that our contracting officers are complying with the law, GSA has instituted certain management controls. The Administrator has personally directed that contracting officers and their legal advisors will be held accountable for failing to include the subcontracting provisions in covered contract solicitations. Further, the agency's contract clearance function specifically checks all proposed contract awards to ensure that a subcontracting plan has been obtained from the proposed awardee. Finally, contracting reports on goal achievement are reviewed not only by the contracting officer, but also by the Office of Small and Disadvantage Business Utilization.

GSA continues to look for other ways of enhancing its implementation of the the Small Business Act and Pub. L. 95-507. Noteworthy in this regard is the decision by GSA's management to place its regional Business Service Centers under the direction of GSA's Office of Small and Disadvantaged Business Utilization. These Business Service Centers are intimately involved in furthering GSA's efforts of making known its procurement programs to interested small business firms by arranging and participating in meetings with business groups, trade associations, small and minority business councils and state and local government advisory groups and civic organizations. By providing information and using trade journals and publications, we believe that we can further stimulate small business participation in our procurement programs.

The activities and achievements which I have briefly outlined in my statement, reflect GSA's efforts to further the goals of the Small Business Act as well as complying with the provisions of Pub. L. 95-507.

I submit with my statement GSA's response to the questions contained in your letter of March 13, 1984. Mr. Wynn, Mr. Snowden, and I will be pleased to respond to any questions that you may have.

General
Services
Administration Washington, DC 20405

APR 5 1984

Honorable Parren J. Mitchell
Chairman, Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This is in response to your letter of March 13, 1984, requesting information on General Services Administration's (GSA) implementation of the subcontracting program established under Section 211 of Public Law 95-507.

Our responses to your specific questions are as follows:

1. Q. Number and dollar value of contracts awarded during the last three years which contained subcontracting plans.

   A. The General Services Administration (GSA) awarded 1,701 contracts valued at approximately $10 billion during the last three fiscal years.

2. Q. Number and dollar value of contracts awarded during the last three years which did not contain subcontracting plans, but which were required by law to contain such plans. What corrective action was taken regarding these awards? How many contracts have not been modified to include plans?

   A. Nine of 1,701 contracts awarded during the last three years did not contain subcontracting plans; however, each of the nine contracts had justification for exemption stated in Public Law 95-507, and therefore, no corrective action was deemed necessary.

3. Q. How many plans did SBA review during the last three years? What was the number found deficient and dollar value of such contracts?

   A. The Small Business Administration procurement center representatives review all subcontracting plans. None have been found to be deficient.

4. Q. Total dollar value of all subcontracts awarded during the last three years under prime contracts containing plans and the dollar value and percentage of subcontracts awarded to small and small disadvantaged businesses?

A. The total dollar value of all subcontracts awarded during the last three fiscal years under prime contracts containing plans was approximately $8 billion. Of this, $2 billion was awarded to small business and $66 million was awarded to small disadvantaged business.

5. Q. Total number and dollar value of all prime contracts awarded where the prime was found to be in non-compliance and any remedial actions taken including debarment proceedings.

A. Two prime contracts were found to be in non-compliance. The total value of these contracts was approximately $41 million. After discussions with the prime contractors, the contracts were brought into compliance.

6. Q. Describe any outreach program that GSA may have to assist small and small disadvantaged businesses interested in subcontracting with GSA's large prime contractors.

A. GSA's outreach program is carried out by the eleven regional Business Service Centers. These regional offices counsel and assist small and small disadvantaged businesses, and participate in such activities as circuit rider seminars, minority business opportunity committees, trade fairs, local Chambers of Commerce training and referral counseling, as well as Federal procurement conferences. Small Business Administration and Department of Defense directories of prime Government contractors are furnished to small and small disadvantaged businesses.

7. Q. Give the number and dollar value of prime contracts awarded where the goals recited in plans were not met. What is the average goal attainment for both small and small disadvantaged business?

A. The average goal attainment over the past three fiscal years has been 82% for small and 42.5% for small disadvantaged business. We do not know the specific number of prime contracts not meeting goals.

8. Q. What were your subcontracting program goals for the last three fiscal years? Were goals met? If not, explain.

A. Subcontracting program goals for the past three fiscal years were:

-Small business:
38.8% for FY 1981
26.0% for FY 1982
28.9% for FY 1983

-Small disadvantaged business:
2.3% for FY 1981
3.3% for FY 1982
1.3% for FY 1983

GSA did not meet the established subcontracting goals in any of these years. One reason for not meeting minority goals was that many small disadvantaged subcontractors do not identify themselves as such to their prime contractors so are not counted in the proper category. In addition, a change in 1982 in the size standard for leasing resulted in many companies going from a large to a small business classification which exempted them from the subcontracting requirement.

In FY 1983, we came the closest to meeting our goals by reaching a 91% level of attainment for small business and 77% for small disadvantaged business.

Sincerely,

JOHN E. WYNN, JR.
Director
Office of Small and Disadvantaged
Business Utiiization

TESTIMONY OF ALLAN W. BERES, ASSISTANT ADMINISTRATOR, OFFICE OF ACQUISITION POLICY, GENERAL SERVICES ADMINISTRATION, ACCOMPANIED BY JOHN WYNN, DIRECTOR, AND CALVIN SNOWDEN, DEPUTY DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION, GSA

Mr. **Beres**. Mr. Chairman, I am pleased to be here before you today to discuss the General Service Administration implementation of Pubiic Law 95-507. I have with me today both Mr. John Wynn, Director of GSA's Office of Small and Disadvantaged Business Utilization, and Mr. Calvin Snowden, his deputy.

GSA has taken the necessary actions to implement the requirements of Public Law 95-507 in its contracting process. Although we've experienced some difficulties in our early implementation efforts, these difficulties were quickly resolved through the establishment of internal management controls and contracting procedures. These were designed to ensure that the requirements of Public Law 95-507 were being carried out and would continue to be carried out in our contracting procedures.

GSA's management is committed to the goal of providing small and small and disadvantaged business firms with the maximum practical opportunity to participate in GSA's procurement programs. In fact, Mr. Chairman, in fiscal year 1983, 34 percent of GSA's procurement dollars were awarded to small business concerns. Our commitment is further evidenced in GSA's implementation of the subcontracting provisions in section 211 of the law. GSA's Office of Small and Disadvantaged Utilization reports that during the past 3 fiscal years GSA has compiled a very positive record in complying with section 211 provisions.

Let me cite some of these. GSA has awarded 1,701 contracts that required subcontracting plans. These contracts were valued at approximately $10 billion. The total dollar value of the subcontracts let under these were about $8.1 billion. Of this total subcontracting amount, small business firms received $2 billion, and small and disadvantaged business received $66 million. None of the subcontracting plans were found deficient.

GSA has increased its goal attainment for subcontracts to small business from 60 percent, or $639 million in fiscal year 1981, to 91 percent, or $978 million in fiscal year 1983. For subcontracts to small and disadvantaged, business goal attainment increased from 26 percent, or $15 million in fiscal year 1981, to 77 percent or $39 million in fiscal year 1983. We've made a great deal of progress since 1980 in implementing the subcontracting program with regard to public utility companies. In 1980, five contracts were deficient; that is, they didn't contain subcontracting plans. In fiscal years 1981, 1982, and 1983; however, 17 contracts valued at $390 million were awarded, which contained subcontracting plans.

To ensure that our contracting officers are complying with the law, GSA has instituted management controls. The Administrator has personally directed that contracting officers and their legal advisers will be held accountable for failing to include the subcontracting provisions in covered contracts. Further, the agency's contract clearance functions specifically checks all proposed contract awards to ensure that a subcontracting plan has been obtained from the proposed awardee. Finally, contracting reports on goal achievement are reviewed, not only by the contracting officer, but also by the Office of Small and Disadvantaged Business Utilization.

GSA continues to look for other ways of enhancing its implementation of the Small Business Act and Public Law 95-507. Noteworthy in this regard in the decision by GSA's management to place its Regional Business Service Centers under the direction of GSA's Office of Small and Disadvantaged Business Utilization, which reports directly to the Administrator of GSA. These business service centers are intimately involved in furthering GSA's efforts of making known its procurement programs to interested small business firms by arranging and participating in meetings with business groups, trade associations, small and minority business councils, and State and local government advisory groups, and civic organizations.

By providing information and using trade journals and publications, we believe that we can further stimulate small business participation in our procurement programs.

The activities and achievements which I have briefly outlined in my statement reflect GSA's efforts to further the goals of the Small Business Act, as well as complying with the provisions of Public Law 95-507.

Mr. Wynn, Mr. Snowden, and I will be pleased to respond to any questions the committee has, sir.

Mr. MITCHELL. Thank you. Before we hear from our next witness, you saw me chuckling, didn't you, Mr. Beres, when you said you had some difficulty in the beginning? I had to chuckle a little bit because I threatened suit against GSA.

Mr. BERES. I remember very well, sir.

Mr. MITCHELL. We had a ridiculous situation where some 7 or 8 billion dollars' worth of contracts had been let without subcontracting plans. We brought them in; they said, we're going to do better next time. When they came in next time, the number had increased by some several billion. It was at that point I instituted a suit. I'm glad that we didn't have to follow through on it. I must say, to the credit of GSA, they pulled back all of those contracts and brought them in compliance with the law.

Mr. BERES. It was a lot of hard work, but it was all worthwhile.

Mr. MITCHELL. It was a year after the law was passed.

Mr. BERES. 1979.

Mr. MITCHELL. 1979 and 1980. But I had to chuckle about that since I haven't examined your testimony in detail. This is one that I did not get to, but it does appear that that's a far cry from 1978 or 1977.

Mr. BERES. We've come a long way.

Mr. MITCHELL. Yes, sir.

Mr. FAIRMAN. Mr. Chairman, I'd like to submit my statement for the record and just summarize, if I may.

Mr. MITCHELL. Without objection, it will be submitted in its entirety.

Mr. Fairman.

[Mr. Fairman's prepared statement with attachments follows:]

Prepared Statement of Robert L. Fairman, Assistant Secretary for Administration, Department of Transportation

I am Dr. Robert Fairman, Assistant Secretary for Administration of the Department of Transportation (DOT). On behalf of Secretary Dole, who was not able to be here today, I reiterate her personal commitment to contracting with small and small disadvantaged businesses, both in our direct procurement program, which obligates about $1.5 billion per year, and our financial assistance program, where about $18 billion per year is provided primarily to state and local governments, principally for road construction, mass transportation projects, and airport improvements. With me today is Armando Mena, our newly appointed Director of our Office of Small and Disadvantaged Business, and Roger Martino, Chief, Procurement Management Division, who is on my staff.

The Department has an excellent record of contracting with small and small disadvantaged businesses. The table below indicates our procurement history with respect to direct contracting with small and disadvantaged businesses.

DEPARTMENT OF TRANSPORTATION
Achievements for Fiscal Years 1981, 1982 and 1983
(Dollars in Thousands)

	FY 1981	FY 1982	FY 1983
TOTAL PROCUREMENTS	$1,694,231	$1,215,980	$1,563,669
1. Contracts Over $10,000 Awarded to Small Business Concerns	604,207*/	554,565**/	489,061***/
2. Contracts Over $10,000 Awarded to 8(a)	86,209	96,199	149,965
3. Contracts Over $10,000 Awarded To Small Business Concerns Owned & Controlled by Socially & Economically Disadvantaged Individuals	19,808	13,709	25,321
4. Contracts Over $10,000 Awarded to Small Business Concerns Owned & Controlled by Women	24,891	14,711	26,482

With respect to subcontracting, our subcontracting accomplishments are as follows:

FY	1981	1982	1983
Total Subcontracting	158,685	180,434	209,063
Small Business Subcontracting	71,000	70,283	111,629
Small Disadvantaged Business Subcontracting	25,851	31,969	33,408

---

*/ 35.6% of total procurement
**/ 45.6% of total procurement
***/ 31.3% of total procurement

Note
Recently the Coast Guard discovered a major mistake in their small business statistics for FY 1982. The table above reflects the changes which add $113,180 to the total direct awards to small business, and reduce by $75,800 the total subcontract awards to small business. Revised data will be supplied to SBA within ten days.

I am pleased to report that the process of negotiating small and disadvantaged subcontracting plans, which was required by P.L. 95-507 and was subsequently incorporated into the Federal Procurement Regulations, has been institutionalized in the Department. Because many of the Department's larger procurements of ships, aircraft, radars, electronic equipment, and construction lend themselves to subcontracting, most of our large contracts contain small and disadvantaged subcontracting plans. Our procurement requests and proposed subcontracting plans are made available to the SBA Procurement Center Representatives (PCR) for review, provided the activity is serviced by a PCR, and comments from the PCR are considered before the final plan is negotiated.

It is important to note that when DOT awards a large dollar contract to small businesses, P.L. 95-507 does not require small or small disadvantaged business subcontracting to be reported. Therefore, we believe that subcontracting to small and disadvantaged businesses needs to be reviewed in the context of the percentage of the Department's total procurement budget which is awarded to small and disadvantaged businesses. One of the major reasons that the Department's statistics do not show even more subcontracting to small and disadvantaged businesses has been the success of our small business set-aside program, and the Section 8(a) program. The Department has a class set aside for small businesses for all construction procurements under $2 million where there is adequate small business competition. The Coast Guard has also set aside a number of large ship procurements for small businesses, and, therefore, no subcontracts have been reported. Presently, the Coast Guard is evaluating best and final offers from small businesses for the acquisition of new patrol craft. This procurement was set aside totally for small businesses, with the total award expected in the $100 million range.

In addition, we have substantially increased our awards to Section 8(a) firms under the regular 8(a) program. As you know, Mr. Chairman, DOT was selected as the sole participant in the Pilot 8(a) program under which we plan to increase awards to Section 8(a) firms even more. In FY 1981, our 8(a) awards totaled $86 million. In FY 1983, these awards increased to $150 million, and we expect to increase that amount in FY 1984.

Our outreach programs are extensive. The Minority Business Resource Center, established under the Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act), works closely with DOT grant recipients and DOT regional offices to increase direct contract and subcontract awards to small and disadvantaged businesses. In addition, DOT has established twelve Program Management Centers which provide assistance to small disadvantaged contractors doing business as prime and subcontractors in both our direct procurement and financial assistance program. The centers are operated by Section 8(a) contractors and are funded at a total of $3.1 million per year. We have established a program with the Fireman's Fund Insurance Company to help provide bonding to disadvantaged businesses performing on transportation related projects. We have also established a short-term lending program which is administered by the Atlantic National Bank. Through this program the Department will make $4 million available for DBE's and WBE's performing on transportation related projects. Moreover, the staff of the Office of Small and Disadvantaged Business and procurement personnel throughout the Department attend procurement conferences, outreach seminars, meet with trade associations and businesses to give out information on doing business with the Department. We provide up-to-date procurement pamphlets which describe our programs, and include current telephone numbers of all of our procurement offices. The Office of Small and Disadvantaged Business also works closely with some of our larger contractors, to help identify small and small disadvantaged business subcontracting sources.

The Federal Aviation Administration (FAA) recently awarded competitively a $305M five-year cost-plus-award-fee contract to Martin Marietta with two option periods totaling another five years, for system engineering and integration related to FAA's National Airspace System Program. The Request for Proposal set a goal that 10% of the total dollar awarded under the contract would be subcontracted. This week the Office of the Secretary agreed to assist Martin-Marietta in identifying additional small and disadvantaged business sources to assist them in meeting their subcontract goals.

The approved subcontracting plan for the initial five year period includes the following:

1. Total dollars planned to be subcontracted: $126 million

2. Total dollars planned to be subcontracted to small business concerns: $32.1 million or 25% of item 1.

3. Total dollars planned to be subcontracted to small disadvantaged business concerns: $24.1 million or 19% of item 1.

The contract contains an award fee provision. One of the considerations in the award fee determination will be subcontract management and goal accomplishment.

The Federal Highway Administration has also developed a unique direct Federal subcontracting compensation clause, which they have used to increase awards to small disadvantaged businesses on construction projects. The clause provides for reimbursement of the prime contractor for additional costs incurred in locating, mobilizing, and training small disadvantaged business subcontractors. Payments to the contractors for these activities have averaged between 10 to 15 percent of the amount contracted to small disadvantaged businesses. FHWA plans to use this clause in almost all of their direct construction contracts awarded in FY 1984, or about 250 contracts this fiscal year.

With respect to the recommendations in House Report 97-956 addressed to all Federal Buying Agencies, we have developed the statistics regarding the subcontracting program as set out in Recommendation 1. The Office of Small and Disadvantaged Business Utilization has recently developed a system for collecting such information on a quarterly basis and we would be happy to submit such reports to the Committee in the future. We have also supplied the necessary information to the SBA in compliance with Recommendation 2, and we are waiting for additional guidance from the Office of Federal Procurement Policy on Recommendation 3 relating to debarment. While we have not implemented the personnel performance standards for administrative contracting officers and procuring contracting officers recommended by the Committee in Recommendation 4, Secretary Dole has directed that performance appraisals for merit pay and senior executive service positions that include contracting responsibilities establishing minority business enterprise efforts as a critical job element.

With regard to your specific questions concerning our subcontracting activities, we have addressed those in detail in the Attachment to this statement.

Mr. Chairman, this concludes my prepared statement. I will be happy to answer any questions you may have.

Attachment

Answers To Specific Questions Posed by the Committee

General

This attachment provides answers to the specific questions addressed to the Department. The statistics provided have been developed manually since there is no automated system available which collects the subcontracting data requested. The statistics provided to answer questions one and four are based on the best information available and is not complete. Some of the contract files for FY 1981 and FY 1982 awards have been sent to the records center, and were not available to review.

1. Number and dollar value of contracts awarded during the last three years which contained subcontracting plans

($ in 000s)

	FY 1981	FY 1982	FY 1983
Number of Contracts	34	41	56
Dollar Value	$301,467	$131,522	$720,633

This table excludes the value of DOT Orders under General Services Administration (GSA) contracts where GSA has negotiated an approved subcontracting plan.

2. Number and dollar value of contracts awarded during the last three

years which did not contain subcontracting plans, but which were required by law to contain such plans. What corrective action was taken regarding these awards? How many contracts have not been modified to include plans?

Our review found only one deficient contract. This contract requires a plan but does not presently contain one. The details of that contract are as follows:

Contract Number: DTCG-40-83-C-10229
Contracting Activity: Coast Guard Yard, Curtis Bay
Contractor: General Electric
Item: Diesel generators
Contract Amount: $829,889

Status: Contract was awarded on August 2, 1983 without the required subcontracting plan. A plan was requested on November 19, 1983, but the proposed plan submitted was determined not to be adequate. A revised plan is due now.

3. How many plans did SBA review during the last three years? What was the number found deficient and dollar value of such contracts?

Ernest L. Bernhardt, the Small Business Administration's Procurement Center Representative (PCR) assigned to the Department of Transportation headquarters, provided the following information on his review of subcontracting plans.

($ in 000s)

	No. of Proposed Contracts Reviewed	$ Value of Total Contracts Reviewed	No. of Contracts Returned w/Comments	$ Value of Subcontracts in Proposed Contracts Returned w/Comments
FY 1981	39	Not Available	14	$34,000
FY 1982	40	Not Available	16	25,000
FY 1983	35	Not Available	5	35,000
SUBTOTAL	114		35	94,000
Field PCR data for FY 81, 82 and 83 combined				
	21		5	35,000
TOTAL	135		40	129,000

Note: Totals include proposed contracts reviewed more than once.

4. Total dollar value of all subcontracts awarded during the last three years under prime contracts containing plans and the dollar value and percentage of subcontracts awarded to small and small disadvantaged businesses.

($ in 000s)

	Total Subcontract Dollars Awarded	Small Business Awards		DBE Awards	
		Percent	Dollars	Percent	Dollars
FY 81	$ 98,194	43.3	$42,533	8.9	$8,733
FY 82	116,908	33.5	39,142	7.4	6,571
FY 83	129,976	48.7	63,355	7.1	7,477

5. Total number and dollar value of all prime contracts awarded where the prime was found to be in non-compliance and any remedial actions taken including debarment proceedings.

   None

6. Describe any outreach program that the Department of Transportation may have to assist small and small disadvantaged businesses interested in subcontracting with the Department of Transportation's large prime contractors.

   There are many specific ways the DOT assists small and small disadvantaged businesses interested in subcontracting, including:

   - o Individual counseling with small companies at DOT offices throughout the country.

   - o DOT participation in federal procurement conferences, trade fairs, procurement conferences, and association meetings which are pointed toward one-on-one counseling.

   - o The Minority Business Resource Center, established to increase minority participation in railroad procurement, has expanded its mission to work with small and disadvantaged businesses under both financial assistance and direct procurement program.

- o The twelve DOT Program Management Centers, located throughout the country and funded under contract in the amount of $3M per year, provides management and technical assistance to disadvantaged businesses throughout the country. They also provide referrals to DOT's short-term loan and bonding company.

- o The Office of Small and Disadvantaged Business has established a program with the Fireman's Fund Insurance Company to provide bonding to disadvantaged business performing on transportation related contracts, including subcontracting.

- o The Office of Small and Disadvantaged Business has established a short-term lending program which is administered by the Atlantic National Bank. Through this program, the Department makes available approximately $4 million dollars for DBE's and WBE's performing on transportation related projects.

- o We provide up-to-date procurement pamphlets which describe our procurement program, which includes current telephone numbers for all our procurement offices.

- o The Office of Small and Disadvantaged Business also works closely with some of our large business contractors to help them locate small business sources.

- o In addition, UMTA is sponsoring an innovative program providing

$60 million in bonding assistance for minority and women contractors engaged in mass transit construction. Although this assistance relates to Federally assisted rather than direct Federal construction, this initiative is another example of the outreach efforts DOT is making for small and small disadvantaged businesses.

7. Give the number and dollar value of prime contracts awarded where the goals recited in plans were not met. What is the average goal attainment for both small and small disadvantaged business?

This information is not available from our procurement offices at this time.

U.S. Department of
Transportation

Assistant Secretary
for Administration

400 Seventh St., S.W.
Washington, D.C. 20590

The Honorable Parren J. Mitchell
Chairman, Subcommittee on SBA & SBIC
Authority, Minority Enterprise &
General Small Business Problems
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

When I testified on April 10, 1984 before your Subcommittee on Small Business Administration and Small Business Investment Company Authority, Minority Enterprise and General Small Business Problems, I indicated that I found one deficient contract that was awarded without the required Small and Small Disadvantaged Business Subcontracting Plan. That contract, DTCG-40-83-C-10229 awarded by the United States Coast Guard Yard at Curtis Bay, Maryland to the General Electric Corporation, has now been modified to include an acceptable plan. A copy of the plan is included as an enclosure.

If your staff has any questions, please have them contact Roger Martino of the Office of Installations and Logistics on 426-4238.

Sincerely,

Robert L. Fairman

Enclosure

STANDARD FORM 30, JULY 1966
GENERAL SERVICES ADMINISTRATION
FED. PROC. REG. (41 CFR) 1-16.101

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT

PAGE 1 OF /

1. AMENDMENT/MODIFICATION NO. #0007
2. EFFECTIVE DATE 5/22/84
3. REQUISITION/PURCHASE REQUEST NO. 44250-1093
4. PROJECT NO. *(If applicable)*

5. ISSUED BY CODE fsp-120.

PROCUREMENT DIVISION
U.S. COAST GUARD YARD
CURTIS BAY
BALTO., MD. 21226

6. ADMINISTERED BY *(If other than block 5)* CODE

7. CONTRACTOR NAME AND ADDRESS CODE FACILITY CODE
(Street, city, county, state, and ZIP Code)

GENERAL ELECTRIC CO.
3 PENN CENTER
PHILA., PA. 19102
ATTN: J. N. ROWLEY

8\.
☐ AMENDMENT OF SOLICITATION NO. ________
DATED ________ *(See block 9)*
☒ MODIFICATION OF CONTRACT/ORDER NO. DTCG40-83-C-10229
DATED 8/2/83 *(See block 11)*

9. THIS BLOCK APPLIES ONLY TO AMENDMENTS OF SOLICITATIONS

☐ The above numbered solicitation is amended as set forth in block 12. The hour and date specified for receipt of Offers ☐ is extended, ☐ is not extended.

Offerors must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation, or as amended, by one of the following methods:

(a) By signing and returning ____ copies of this amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE ISSUING OFFICE PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If, by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided such telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

10. ACCOUNTING AND APPROPRIATION DATA *(If required)*

7HO NO MONETARY CHANGE

11. THIS BLOCK APPLIES ONLY TO MODIFICATIONS OF CONTRACTS/ORDERS

(a) ☐ This Change Order is issued pursuant to ________
The Changes set forth in block 12 are made to the above numbered contract/order.

(b) ☐ The above numbered contract/order is modified to reflect the administrative changes (such as changes in paying office, appropriation data, etc.) set forth in block 12.

(c) ☒ This Supplemental Agreement is entered into pursuant to authority of MUTUAL AGREEMENT OF PARTIES
It modifies the above numbered contract as set forth in block 12.

12. DESCRIPTION OF AMENDMENT/MODIFICATION

REF: G.E. SUBCONTRACT PLAN (REVISED) DATED 17 MAY 1984

ABOVE REFERENCED SUBCONTRACT PLAN IS HEREBY INCORPORATED INTO CONTRACT.

JS/ss

Except as provided herein, all terms and conditions of the document referenced in block 8, as heretofore changed, remain unchanged and in full force and effect.

13. ☐ CONTRACTOR/OFFEROR IS NOT REQUIRED TO SIGN THIS DOCUMENT ☒ CONTRACTOR/OFFEROR IS REQUIRED TO SIGN THIS DOCUMENT AND RETURN 3 COPIES TO ISSUING OFFICE

14. NAME OF CONTRACTOR/OFFEROR
BY John Shore
(Signature of person authorized to sign)

15. NAME AND TITLE OF SIGNER *(Type or print)*

16. DATE SIGNED May 29, 1984

17. UNITED STATES OF AMERICA
BY L K Tucker
(Signature of Contracting Officer)

18. NAME OF CONTRACTING OFFICER *(Type or print)* L. K. TUCKER

19. DATE SIGNED 5/22/84

30-101

☆U.S. G.P.O. 1982-381-526/8032

GENERAL ELECTRIC

SUBCONTRACTING PLAN
FOR
SMALL BUSINESS AND SMALL BUSINESS OWNED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

Submitted by

General Electric Company
Industrial Sales Division
Marine and Defense Sales Operation
Schenectady, N.Y.

To

United States Coast Guard

for

Repowering USCG KULSHAN

Contract No. DTCG40-83-C-10229
Purchase Order No. DTCG40-83-B-10107

Compiled by: R. P. Tillson
April 26, 1984
REV May 17, 1984

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I Statement of Corporate Policy on Small Business and Small Business Owned by Socially and Economically Disadvantaged Individuals

II Dissemination of Policy Statement

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V Establishment of Goals and Timetables, where applicable

VI Internal Audit and Reporting System

VII Plans submitted in Accordance with Public Law 95-507

- Summary of Total Contract
- Large Motor and Generator Department - Schenectady, NY
- Drive Systems Operation - Salem, VA

VIII Support of Small Business Advocate Programs

APPENDIX

A. Memorandum of Office of Federal Procurement Policy by Thomas F. Williamson, dated 7/02/79

B. General Electric's Standardized Plan for assisting Small and Disadvantaged-Small Businesses

C. General Electric Company Policy, Procedure 1.2 directing compliance with Public Law 95-507

INTRODUCTION

The General Electric Company is dedicated to the purpose and goals of a strong small and minority disadvantaged business program. The major facilities supporting the design and installation of the industrial equipment offered for sale to the United States Coast Guard for repowering the ferryboat KULSHAN are located in the cities of Schenectady, NY and Salem, VA.

The management individuals listed in Section VII, support the policy of the General Electric Company that discrimination on the basis of race, color, religion, national origin, sex, age or handicapped shall not exist in any area of the Company, in consideration of terms and conditions of employment and the general conduct of Company business.

The program contained herein was prepared, implemented and is administered in accordance with the above policy, and in accordance with contractual requirements of Public Law 95-507.

The information presented in this program has been compiled from two separate and distinct business operations of the General Electric Company. Each is separated geographically by several hundred miles and operate as separate profit centers and both will furnish equipment for repowering the USCG Ferry KULSHAN.

INTRODUCTION (Cont'd)

The Large Motor and Generator Department located in Schenectady, NY will provide the generator and associated equipment to generate electrical power while the Drive Systems Operation located in Salem, VA will provide the propulsion control equipment which is a high technology product.

The principle subcontract was with Alban Engine Company, a small business, for the purchase of diesel engines, assembly and testing of diesel-generator sets.

This plan is submitted in accordance with Modification #0005 to Contract No. DTCG40-83-C-10229, article XXIV, dated 11/9/83.

SECTION I

STATEMENT OF CORPORATE POLICY

The General Electric Company maintains a Minority Corporate Purchasing Function managed by Wm. H. Chapman in Bridgeport, Connecticut.

This office of General Electric has prepared and has on file with the U.S. Government Office of Federal Procurement Policy, General Electric's standardized Minority and Small Business Plan which sets forth a plan for Corporate compliance with the principles of Public Law 95-507 (Minority Omnibus Bill) and Executive Order 11265. (Exhibit A)

Active programs are maintained for increasing business with socially and economically disadvantaged businesses through use of the Small Business Administration, and by conducting meetings between Small Business/Minority organizations and General Electric procurement and subcontract activities throughout the Company.

SECTION II

DISSEMINATION OF POLICY

Corporate Policy has been disseminated throughout the Company for implementation as a formal part of operating procedures.

The Company regularly distributes construction information on the subject including lists identifying Small/Minority Business, their products, locations and General Electric's progress in meeting established goals.

SECTION III

RESPONSIBILITY FOR IMPLEMENTATION

The General Electric Company is committed to the implementation of Small and Disadvantaged Business Subcontracting programs.

There is a Small/Disadvantaged Business liaison representative in each of the Company's divisions responsible for administering the program within its area of responsibility. In addition, the applicable Government procurement regulation clause is incorporated in every order place through the purchasing terms and conditions.

The Department General Manager and his staff are responsible for measuring programs and assuring that the effectiveness of this Small Business Plan and Minority Small Business Plan are carried out.

Specifically, each manager will be responsible for:

- Making certain that his components identify and recommend the use of small economically disadvantaged suppliers and subcontractors.
- That notification to these identified subcontractors be made whenever support or expertise can be utilized by the company.
- Take affirmative steps to encourage that minority suppliers and subcontractors undertake business that they are qualified for.
- Cooperation with Government agencies in connection with compliance reviews and suggested changes to improve the opportunities available to small businesses and minority small businesses which are socially and economically disadvantaged.
- Demonstrate leadership among other responsible business and civic leaders in observing the spirit and intent of Federal, state and local laws concerning affirmative action in relationships to both individuals and small business concerns.

The referenced manager is responsible for the application of the Division policy within his/her component and shall be evaluated on the effectiveness of this policy. This includes initiating and/or supporting programs and practices designed to develop understanding, acceptance, commitment and compliance within the framework of this plan.

SECTION IV

KEY FACTORS

The highly technical and complex manufacturing and quality requirements for goods and services are a major obstacle in locating disadvantages business sources. We recognize that those sources may require extra assistance. An example is the products made by our Drive Systems Operation.

SECTION IV (Cont'd)

DRIVE SYSTEMS OPERATION

The highly technical and complex manufacturing quality requirements and servicing for drive systems components are the major obstacles in utilizing the majority of minority small business sources.

Minority business enterprises may require extra assistance in order to have an equitable opportunity to complete for subcontracts. The complexity of our business is such that the requirement to provide assistance in the field of manufacturing processing, quality control, engineering, laboratory services, installation and maintenance is fundamental with all suppliers, and particularly so with small minority businesses. We must be alert to the needs to provide such assistance not only prior to ordering placement, but throughout the life of the subcontractor.

Drive Systems Operation is actively looking for suppliers and subcontractors for all component parts that we purchase.

In addition, our Manager-Purchasing for the Drive Systems Operation has been, and continues to be, a member of the Regional Purchasing Council of Virginia, and is currently on the Board of Direct and is an active participant in Pool Purchasing Projects among fourteen (14) General Electric departments with a project on establishment and use of minority businesses. This pool group was awarded the "Extra Step Award" in 1978.

SECTION V

GOALS

The components within this plan have used the goal setting technique for a number of years. With a constant business climate, we strive to increase over the prior years both the dollar value of orders placed with disadvantage business enterprises and the number of vendors participating in the program.

DRIVE SYSTEMS OPERATION

The goals are to increase over the previous year, both dollar value of purchases placed with minority businesses, and number of minority business enterprises participating in the Small and Minority Business Subcontracting Program. It is our belief that as this base expands so will the dollar value of business placed with minority businesses.

The Drive Systems Operation Purchasing is organized on a total business basis, not by geographic location. Therefore, the goals are for the entire Operation, and not by individual contracts. The goal of the Drive Systems Operation is to make a good-faith effort to utilize as suppliers and contractors those small businesses and minority enterprises that it can approach or which approach the Operation to provide business support within the competitive framework of the highly competitive business. Also, the Operation encourages customers to take advantage of small business concerns and minority business enterprises whenever it is prudent to do so.

SECTION VI

INTERNAL AUDIT AND REPORTING SYSTEM

Statistics on participation of Small and Disadvantaged Businesses in all business areas, commercial and government, are compiled monthly. Those reports provide management details for their monitoring the effectiveness of the program.

SECTION VII

A summary of the total program including subcontracting is presented below.

	$	%
Total Contract Price	$821,903(1)	100
Total Subcontracted	511,818	62.3

The subcontracting summary is as follows:

Total Subcontracted	511,818	100
Total Subcontracted to Small Businesses	452,161	88.3
Total Subcontracted to Disadvantaged Businesses	7,519	1.5

(1) The majority of this total 55%, was awarded to the Alban Engine Company, a small business concern in Baltimore, MD. This company furnished the diesel engines, assembled the diesel-generator sets and will perform shipboard testing of these sets.

The portion of the contract implemented by Departments of the General Electric Company follows.

Plan Submitted in Accordance with PL95-507

1. Contractor Name: General Electric Company
Department: Large Motor and Generator
Schenectady, NY

2. Contract No: DTCG40-83-C-10229
USCG KULSHAN Repowering

3. Name of Individual Completing Plan: R. L. Forest

	Total Material	% of Available
4. Dollars	$33,400	
Goals		
Small business	3,107	9.3%
Disadvantage Business	7,369(1)	22.0%

5. The individual within the employ of this contractor department who will administer the Program is:

Name: R. L. Forest
Title: Manager - Purchasing
Address: 1 River Road
Schenectady, NY 12345
(518)385-4204

(1) Steel for punchings purchased from

National Material Corporation
2525 Arthur Avenue
Elk Grove Village, IL 60007

Plan Submitted in Accordance with PL95-507

1. Contract Name: General Electric Company
   Department: Drive Systems Department
   Salem, VA

2. Contract No. DTCG40-83-C-10229
   USCG KULSHAN Repowering

3. Name of Individual Completing Plan: L. T. DeHart

	Total Material	% of Available
4. Dollars	$57,600	100
Small Business	300	.52

Principle items or areas subcontracted are electromagnetic devices (small); small transformers; electronic devices; and raw materials.

Disadvantaged Business	150	.26

Principle items or areas subcontracted are electronic devices and electrical devices (resistors, capacitors, etc.).

5. The individual within the employ of this contractor department who will administer the program is:

Name: P.J. Esperti
Title: Manager-Purchasing
Address: 1501 Roanoke Blvd.
Salem, VA 24153

SECTION VIII

SUPPORT OF SMALL BUSINESS ADVOCATE PROGRAMS

The General Electric Company encourages its employees to implement this subcontracting program and to participate in and support community organizations which directly, or indirectly, assist the General Electric efforts to implement its programs.

An "extra step" award program is utilized as a motivative and reinforcement for the outstanding job in improving our use of minority vendors and maintaining an effective program.

General Electric Company operating components are active in all aspects of community life and take an active role in those organizations which are beneficial to the community. One such organization is Drive Systems Operation's representation on the Regional Purchasing Council of Virginia.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

JUL 0 2 1979

MEMORANDUM TO OFPP AGENCY CONTACT POINTS

SUBJECT: Subcontracting Plan

We have received many inquiries regarding what constitutes an acceptable subcontracting plan under Public Law 95-507.

In an effort to provide some guidance, I am enclosing a plan format developed by the General Electric Company that I think will satisfy the subcontracting plan requirements.

Thomas F. Williamson
Associate Administrator
for Acquisition Law

Enclosure

EXHIBIT "A"

OFFICE OF THE UNDER SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

RESEARCH AND
ENGINEERING

7 JUN 1979

Mr. Russell Mudge
Vice President, Corporate
  Operating Service
General Electric Company
3135 Easton Turnpike - W1A
Fairfield, Connecticut 06431

Dear Mr. Mudge:

Dr. Fred H. Black recently submitted a copy of the General Electric proposed Standardized Plan for assisting small and disadvantaged small businesses, in accordance with P.L. 95-507 to the Department of Defense (DoD). Mr. Black requested that we review this format to determine whether it satisfies our proposed requirements for DoD prime contractors receiving contracts which will contain the small and disadvantaged business subcontracting clauses.

I have reviewed the plan format and determined that it not only meets but exceeds DoD requirements in compliance with Public Law 95-507. We therefore approve its use as a format for implementing the proposed revision to Section 1, Part 7 of the Defense Acquisition Regulation which will published during June, 1979.

General Electric is to be commended for its continued support of the disadvantaged business program and its positive response to the requirements of P. L. 95-507.

Sincerely,

DALE W. CHURCH
Deputy Under Secretary
(Acquisition Policy)

GENERAL MANAGERS-DEPT. & DIV.
MANAGERS-FINANCE
MANAGERS-EMPLOYEE RELATIONS
MANAGERS-PURCHASING
MANAGERS-MATERIALS

INFORMATION LETT

MATERIAL RESOURCE
AND TRAFFIC OPERATION

MINORITY SUPPLIERS
PUBLIC LAW 95-507

EXHIBIT "B"

BACKGROUND

On October 24, 1978, President Carter signed Public Law 95-507, amending the Small Business Act and the Small Business Investment Act of 1958. The principal area of interest adds a new Section to the Small Business Act regarding small and minority business subcontracting programs for companies with government prime contracts. Under these provisions, companies selected for award of a supply contract which exceeds $500,000 (or a construction contract which may exceed $1 million) are required to submit a subcontracting plan to the procuring agency including percentage goals for the utilization as subcontractor of both (1) small business concerns and (2) small business concerns owned and controlled by socially and economically disadvantaged individuals (minority suppliers). In a sense, the requirements for goals concerning minority small business subcontracts is similar in concept to the "affirmative action" percentage goal requirements for government contractors regarding minority group employment.

A summary of PL 95-507 is attached for your information.

IMPACT ON GE

We can expect a renewed emphasis from the various government agencies on the use of "minority suppliers" and the submission of subcontracting plans prior to the award of contracts.

STANDARDIZED PLAN

In an attempt to eliminate or at least minimize the "red tape" and confusion in the development of a subcontracting plan, Fred H. Black of Corporate Employee Relations, has developed the "Standardized Plan for Small Business and Small Disadvantaged Business Concerns" format. The preparation of this format was coordinated with the major government agencies and has received their acceptance, as evidenced by correspondence from Messrs. Dale Church of DOD, James Sexton of OMBE and Thomas Williamson of OFPP, copies of which are attached.

(over).

ISSUED BY
William H. Chapman
Sr. Contracting Agent
Corporate Purchasing-Contracting
Bridgeport, Connecticut 06602
8*223-3296

DISTRIBUTION

NO MRTO 451
DATE August 30, 197

FOR INTERNAL USE

GENERAL ELECTRI

Each GE component requiring a subcontract plan should prepare such a plan within the framework of this standardized format and submit it to the requesting government agency for approval. Once approved, this same plan would be used on all subsequent bids and for all government agencies.

RECOMMENDATION

Several government agencies (DOD, DOE, OFPP, others) have been involved in developing this format and have endorsed its use and it is strongly recommended that this standardized plan format be used in the preparation of all small or small disadvantaged business subcontracting plans. The standardized format can also be used to develop Minority Business Plans and programs for non-government commercial business as well. We are attaching a copy for your use.

Please direct any questions and comments to the writer.

SUMMARY OF 95-507 BILL

I. 8(a) PROGRAM LANGUAGE FOR ELIGIBILITY

A. Socially disadvantaged persons are those who have been subject to racial or ethnic prejudice or cultural bias because they have been identified as members of certain groups that have generally suffered from prejudice or bias.

B. An economically disadvantaged person is one who is socially disadvantaged and whose ability to compete in the economy is impaired, due to lack of capital and credit, as compared to others in the same business area who are not socially disadvantaged.

II. SUBCONTRACTING PLAN

The Subcontracting Plan is applicable to all Federal Government contracts of $500,000 and above, and $1,000,000 and above in the case of construction contracts.

The Bill distinguishes between formally advertised and negotiated procurement as follows:

A. Advertised Procurement

Only the low bidder on a formally advertised procurement is required to submit a subcontracting plan. If the low bidder on a formally advertised procurement fails to submit a plan within the specified time requirement, such bidder becomes ineligible for award. The subcontracting plan becomes a material part of the contract. The information required to be included in the plan includes:

(1) Percentage goals for small businesses and socially and economically disadvantaged small businesses;

(2) The name of the individual to administer the program;

(3) A description of how the firm will provide subcontracting opportunities;

(4) A representation that the firm will include a similar subcontracting clause in all subcontracts over $500,000;

(5) A representation that the firm will cooperate with SBA and procuring agencies in compliance studies; and

(6) A list of the types of records the firm will keep.

B. Negotiated Procurements (Competitive and Noncompetitive)

On Negotiated Procurements all bidders in the competitive range shall negotiate a subcontracting plan with the procurement authority. The subcontracting plan is then made a material part of the contract.

The actual requirements of the subcontracting plan under the negotiated procurement methods are the same as under formally advertised procurements.

III. GOALS FOR SMALL BUSINESS CONTRACTING

A. Requires federal agencies to consult with SBA in establishing realistic goals for small business and disadvantaged business participation in federal contracts.

B. Agencies would be required to report to SBA the goals set and contracts awarded to small businesses, and comments as to why any goals were not met when appropriate.

IV. PROCUREMENT SET-ASIDES FOR SMALL BUSINESS

A. Authorizes federal agencies to reserve for small business, contracts for research, development, test and evaluation, architectural and engineering services, and also contracts having an estimated dollar value under $10,000.

V. OFFICE OF SMALL AND DISADVANTAGED BUSINESS UTILIZATION

A. Establishes in each federal agency with procurement powers an Office of Small and Disadvantaged Business Utilization, to be directed by an employee of that agency, who reports to the Chief Executive of the agency.

B. The Director of Small and Disadvantaged Business Utilization would be responsible for implementing programs under Section 8 (Sub-contracting) and 15 (Prime Contracting) of the Small Business Act, including assigning technical advisors in the agency to work with SBA personnel.

VI. SIMPLIFYING PROCUREMENT REGULATIONS

A. Directs the Office of Federal Procurement Policy to combine the FPR, ASPR and NASA Procurement Regulations into a single simplified, uniform procurement regulation

B. Requires the Office of Federal Procurement Procurement Policy to consult with SBA in analyzing small business impact and in simplifying procurement procedures for small business.

VII. INDIRECT FEDERAL PROCUREMENT

A. Directs SBA to develop, in cooperation with other agencies, an estimate of the use of small and disadvantaged business concerns by recipients of Federal financial assistance, such as State and Local Governments.

VIII. LABOR SURPLUS AREA PROCUREMENT

A. Directs the President to submit a report to the Congress not later than October 1, 1979, detailing the effectiveness of the labor surplus area program. The report is to include an evaluation of all Federal agencies utilization of the program.

B. The report is to further include information on the effectiveness of the program in reducing unemployment in areas of high unemployment.

IX. THE SURETY BOND GUARANTEE PROGRAM

The Bill amends the surety bond guarantee program:

A. To allow SBA to enter into guarantee agreements with surety bond companies on either a case-by-case basis or on a broader multiple bond basis. It also allows SBA to reimburse a surety when the surety has incurred expenses to prevent a breach;

B. To clarify SBA's authority to pay up to 90 percent of a loss incurred and paid by a surety as a result of a breach of one of the bonds guaranteed by SBA;

C. To enable SBA to establish regulations governing the sureties who participate in its program;

D. To set forth the circumstances under which SBA can refuse to honor its guarantee; that is, fraud, material representation, or excessive coverage;

E. To enable SBA to make advance payments against a surety's losses;

F. To enable SBA to audit a participating surety;

G. To clarify the right of SBA to establish fees to be paid it by the bond applicants and premiums to be paid it by the sureties;

H. Redefine "surety" to include an agent (including independent agent), other company or individual empowered to act on behalf of such person; and

I. To establish a two-year pilot program that authorizes SBA to declare when a breach is imminent on bonds it guaranteed. SBA's exposure under this provision cannot exceed 10 percent of the contract price unless it is determined that by exceeding the 10 percent, a breach can be aborted.

X. THE MINORITY ENTERPRISE SMALL BUSINESS INVESTMENT COMPANY

A. Preferred stock leverage allows MESBICS formed as corporations to sell twice as much preferred stock to SBA as is presently allowed. The amount of this preferred stock leverage is limited to 200 percent of the qualified paid-in capital and the amount purchased by SBA in excess of 100 percent of such capital cannot be greater in amount than the MESBICs outstanding equity investments. In addition, this part allows a MESBIC which has received preferred stock leverage to make distributions to its shareholders without the need of paying any "differential costs" to the SBA, provided it is current on all dividend obligations owing to SBA.

The Bill allows MESBICS to sell their preferred stock to SBA in the following amounts:

(1) For a licensee licensed on or before October 13, 1971, 200 per centum of its private paid-in capital;

(2) For licensees licensed after October 13, 1971, 100 per centum of its private capital if such capital is less than $500,000 or 200 percentum of its private capital if such capital is $500,000 or more.

Equity as applied above includes subordinated and unsecured debt.

B. INVESTMENT OF IDLE FUNDS

The Bill allows MESBICS to invest their temporarily idle funds in certificates of deposits that mature within one year or less, or in FDIC or FSLIC insured institutions.

C. SALE OF DEBENTURES

The Bill allows SBA to purchase debentures from MESBICS which carry an interest rate of 3 percent or 3 percent below the cost of money to the Government, whichever is greater, for the first five years of the term of the debenture. This provision, in effect, gives a 3 percent subsidy in the interest rate for the first five years of the term.

D. MESBICS ESTABLISHED AS PARTNERSHIPS

The Bill allows minority enterprise small business investment companies to form as limited partnerships.

E. PRIVATE PAID-IN CAPITAL

The Bill provides that SBICS and MESBICS licensed after October 1, 1979, shall have private paid-in capital of not less than $500,000 and, in all cases, such capital must be adequate to reasonably assure the success of the investment company.

STANDARDIZED PLAN FOR "SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS" (SBSDBC) PLAN

FORMAT

DEVELOPED BY THE

GENERAL ELECTRIC COMPANY
MINORITY AND SMALL BUSINESS PROJECT OFFICE
FAIRFIELD, CONNECTICUT 06431

Note: The term Minority Business is used interchangeably with socially and economically disadvantaged business throughout this document. This format is appropriate for both Small Business and Small Disadvantaged Business Concerns.

June 29, 1979

FORMAT

The overall appearance and content of the Small Business and Small Disadvantaged Business Concerns Plan should do more than reflect an effort to use small business and minority business vendors -- it should have a positive influence on the effectiveness of the Company's communication of its sincerity in meeting Company Small Business and Small Disadvantaged Business Concerns (SBSDBC) Goals.

The Business Plan Format is as follows:

I. Statement of Corporate Policy Statements on SBSDBC utilization
II. Dissemination of Policy Statements
III. Responsibility for Implementation
IV. Business Key Environmental Factors
V. Establishment of Goals and Timetables, where applicable
VI. Action-oriented Programs
VII. Internal Audit and Reporting Systems
VIII. Support of the Small Business and Small Disadvantaged Business Concerns Advocate Program

The selection should appear in the sequence listed.

Guidelines for the content of the required eight sections are found in Sections I through VIII of these instructions. The Format is also to be used as a guide when developing the first three sections -- Title Page, Contents, and Introduction. All prime contracts valued in excess of $500,000 ($1,000,000 for construction) received by GE from the Federal Government require the submission of a subcontracting plan. Separate plans are required for both Small Business and Small Disadvantaged Business Concerns.

TITLE PAGE

Each Small Business Plan and Small Disadvantaged Business Plan will have a title page as indicated in the Format. The title page should show the document title; facility name, address, and telephone number; individuals responsible for preparing, review and approving the particular Business Plan, their titles, and telephone numbers; commencement and expiration data of the Plan; and name, title, address, and telephone number of the Small Business or Small Disadvantaged Business Project Manager as appropriate.

CONTENTS

The contents depends upon the emphasis on the Small Business or the Small Disadvantaged Business Plan. All pages should be numbered and contents divided to denote major parts and sections.

*INTRODUCTION

The introduction should prepare the reader for the information that follows it. It should consist of no more than two pages plus a facility organization chart. Although the introduction should not tell what is in the plan (Section I through IX), it should identify the facility, indicate the city, county and state, provide a brief view of the economic picture of the business, list the principal business activity, and detail the management organization (Small Business and Small Disadvantaged Business Coordiantor, Small Business and Small Disadvantaged Business Liaison Officer and Support Staff). It should also identify unique aspects of the particular kind of contract that the plan covers and should specify how these aspects will impact on or influence the SBSDBC plan.

USING THE SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS PLAN (SBSDBC) FORMAT

The Small Business and Small Disadvantaged Business Coordinator, Liaison Officer, and/or Small Business and Small Disadvantaged Business

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* Much of this information is available from the Facility Affirmative Action Plan.

Council Chairman at each facility must be thoroughly familiar with the format and its use. It is equally important that other managers and staff have sufficient understanding of the format. The entire Small Business and Small Disadvantaged Business plan format should be read before commencing development of a specific Small Business and Small Disadvantaged Business Plan. Special attention should be given to Section IV through VIII because they will contain brief descriptions of significant local programs, projects, etc., that have been initiated to solve local problems. The plan should be designed to meet your locations specific needs for Small Business and/or Small Disadvantaged Business as well as meet the specific requirements in the contract.

Upon request regarding SBSDBC Plans, Minority Business Project Office, Fairfield, Connecticut, will provide technical assistance regarding requirements, interpretations, and implementation of the Format.

DEFINITION

As used in the plan, the term "small business concern" shall mean a small business as defined pursuant to Section 3 of the Small Business Act and relevant regulations promulgated thereto. The term "small business concern owned and controlled by socially and economically disadvantaged individuals" (minority) shall mean a small business concern which is at least 51 percentum owned by one or more socially and economically disadvantaged individuals; or, in the case of any publicly owned business, at least 51 percentum of the stock of which is owned by one or more socially and ecomomically disadvantaged individuals; and whose management and daily business operations are controlled by one or more of such individuals.

The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, and other minorities, or any other individual found to be disadvantaged by the Small Business Administration purusant ot Section 8(a) of the Small Business Act.

Contractors acting in good faith may rely on written representations by their subcontractors regarding their status as either a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

GENERAL ELECTRIC **Material Resource and Traffic Operation**	**Procedure**
	Number 1.2 **Subject** SMALL BUSINESS AND SMALL DISADVANTAGED SUPPLIERS
Issued By MANAGER, MATERIAL RESOURCE & TRAFFIC OPERATION	**Date Issued** 1/15/82 **Supercedes Issue Dated** NEW
	COMPANY POLICY REFERENCE 30.13

Purpose

To ensure that qualifiable suppliers have the opportunity to compete for and to earn a share of the Company's business.

Scope

To comply fully with the context, intent and spirit of all government regulations covered by Public Law 95-507 and Executive Order 12138.

Reservation of Authority

Material Resource and Traffic Operation is responsible for maintaining overview statistics and issuing annual reports of purchases from minority and women-owned suppliers.

Responsibility for Counselling

Counselling with regard to small disadvantaged and women-owned businesses is the responsibility of Material Resource and Traffic Operation.
Counselling for Small Businesses will be the responsibility of the Aerospace Contract Practices Operation.

Procedures

Each component is responsible for:

1. Integrating the government regulations into the normal operation of the purchasing function.
2. Monitoring the effectiveness of this program.
3. Developing "outreach programs" to aid in the identification and development of additional suppliers.

EXHIBIT "C"

Policy Reference	Date Issued	Supercedes Issue Dated	Number	**Procedure** Subject
3 33.12	1-15-82	New	1.2	SMALL BUSINESS AND SMALL DISADVANTAGED SUPPLIERS

Providing reasonable assistance to qualifiable suppliers in the areas of:
  - Technical interpretation
  - Managerial skills
  - Manufacturing techniques (non-proprietary)
  - Quality control programs
  - Bid preparation
  - Materials and supplies purchasing

5. Maintaining records and preparing reports as required by government regulations and prudent management.

6. Exchanging information on potential suppliers with other Company components.

7. Participating in external activities (such as the National Minority Supplier Development Council and the Purchasing Management Association), in order to identify new suppliers and keep up to date with developments in the area.

TESTIMONY OF ROBERT L. FAIRMAN, ASSISTANT SECRETARY FOR ADMINISTRATION, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY ARMANDO MENA, DIRECTOR, OFFICE OF SMALL AND DISADVANTAGED BUSINESS; AND ROGER MARTINO, CHIEF, PROCUREMENT MANAGEMENT DIVISION, DOT

Mr. **Fairman**. I am Robert Fairman, the Assistant Secretary for Administration of the Department of Transportation. On behalf of Secretary Dole, who is not able to be here today, I want to reiterate her personal commitment to contracting with small and small disadvantaged businesses, both in our direct procurement program, which obligated about $1.5 billion last year and our financial assistance program, where about $18 billion per year is provided primarily to State and local governments, principally for road construction, mass transit projects, and airport improvements.

With me today, Mr. Chairman, is Armando Mena, our newly appointed Director of Small and Disadvantaged Business Office, and Roger Martino, Chief of the Procurement Management Division, who is on my staff.

Mr. Chairman, we think the Department has an excellent record of contracting with small and disadvantaged business. As an example, in fiscal year 1983, our total direct procurement awards were about $1.5 billion; of that amount contracts over $10,000 that were awarded to small business totaled about $500 million, about 30 percent—31 percent, to be exact; and $150 million out of the $1.5 billion was awarded to 8(a) contracts' plus 8(a) and other disadvantaged contracts won, through direct procurement, another $25 million, and another obtained $33 million through our subcontracting. So about $208 million of the total $1.5 billion of our direct procurement went to small disadvantaged businesses.

I am pleased to report that the process of negotiating small and disadvantaged subcontracting plans, which was required by Public Law 95-507, and was subsequently incorporated into the Federal procurement regulations, have been institutionalized in the Department.

Our procurement requests and proposed subcontracting plans are made available to the SBA Procurement Center representatives for review, provided the activity is serviced by a PCR, and comments from the PCR are considered before the final plan is negotiated.

Mr. Chairman, it's important to note that when DOT awards a large dollar contract to small businesses, as we often do, Public Law 95-507 does not require a small or small disadvantaged business subcontracting plan to be incorporated into the contract. Therefore, we believe that subcontracting to small and small disadvantaged business needs to be reviewed in the context of the percentage of the Department's total procurement budget which is awarded to small and small disadvantaged businesses. As you recall, I said that we have about $500 million of the total $1.5 billion awarded to small business in 1983.

One of the major reasons that the Department's statistics do not show even more subcontracting to small and disadvantaged business has been the success of our small setaside program and the section 8(a) program.

In addition, Mr. Chairman, we have substantially increased our awards to section 8(a) firms under the regular 8(a) program. As I'm sure you know, DOT was selected as the sole participant in the pilot 8(a) program, under which we plan to increase awards to 8(a) firms even more. In fiscal year 1981, our 8(a) awards total $86 million. In fiscal year 1983, these awards increased to $150 million, and we expect to exceed this amount in 1984.

We are proud of our outreach programs and think they are very extensive. The Minority Business Resource Center, established under the Railroad Revitalization and Regulatory Reform Act of 1976, works closely with DOT grant recipients and DOT regional offices to increase direct contract and subcontract awards to small and disadvantaged businesses. In addition, DOT has established 12 program management centers which provide assistance to small disadvantaged contractors doing business as prime and subcontractors, in both our direct procurement and financial assistance programs.

The centers are operated by section 8(a) contractors, and are funded at a total of $3.1 million per year. Also, we have established a program with the Fireman's Fund Insurance Co. to help provide bonding to disadvantaged business firms performing on transportation related projects. We have also established a short-term lending program which is administered by the Atlantic National Bank. Through this program, the Department will make $4 million available to DBE's and to women business enterprises, performing on transportation related projects.

Moreover, the staff of the Office of Small and Disadvantaged Business and procurement personnel throughout the Department attend procurement conferences, outreach seminars, and meet with trade associations and businesses to give out information on doing business with the Department. We provide up-to-date procurement pamphlets which describe our program and include current telephone numbers of all our procurement offices.

Mr. Chairman, the Federal Highway Administration has also developed a unique, direct, Federal subcontracting compensation clause, which they use to increase awards to small disadvantaged business on construction projects. The clause provides for reimbursement to the prime contractor for additional cost incurred in locating, mobilizing, and training small, disadvantaged business subcontractors. Payments to the contractors for these activities have averaged between 10 to 15 percent of the amount contracted to small disadvantaged businesses.

The Federal Highway Administration plans to use this clause in almost all of their direct construction contracts awarded in fiscal year 1984, or about 250 contracts this fiscal year.

Mr. Chairman, that concludes my statement, and I will be very happy to answer any questions you may have.

Mr. MITCHELL. Thank you very much for an encouraging statement. You're not perfect, and you're going to make more improvements. But I'm always amazed that it was the Department of Transportation, beginning under President Nixon, that took the most forward moves toward utilizing small and disadvantaged businesses, and throughout the years has been constantly innovative. I don't want to put you on a pedestal, because you're not there yet.

Mr. Fairman. But don't feel any constraints.

Mr. Mitchell. But in contrast with the other agencies, it just seems to me that there is a commitment. It just puzzles me why the other agencies have not come up with an innovative bonding program and many of the other good things that you've done in DOT. I'll ask you some mean questions later. In all fairness, this is one of the reasons why I was very pleased that DOT got the pilot program because it had set an example.

In a later hearing this year, I'll talk to you about how you're implementing the set-aside and the Surface Transportation Act, which is kind of separated out from this.

Mr. Fairman. We're doing well.

Mr. Mitchell. Well, we'll talk.

Mr. Sullivan, in your testimony you stated that the subcontracting percent to small business for fiscal year 1982 was 37.5 percent, and 36.4 percent for 1983. In your testimony, also you indicated that the award to small disadvantaged firms for 1982 was 5.7, and then for 1983 it dropped down to 4.4. First of all, we have the perennial problem of the ongoing problem of not the same kinds of goals and, if there are goals, they're not met as successfully for small and disadvantaged businesses as they are for small businesses. How do you explain the decrease?

Mr. Sullivan. Well, I believe that the decrease in the small disadvantaged category was primarily because we had a number of high tech procurements for CAT scanners, and that sort of thing, which we feel affected that particular year.

You might note that, while the percentage went down, the actual total did go up. We are hopeful and expect that for fiscal year 1984 we would see a return in the percentage and, of course, a continuation in the increase in the total dollars.

Mr. Mitchell. How do you set your goals? There are 21 black Members of the House of Representatives. I think there should be more. If I wanted to set a goal for that, I would come up with some ideas as to how to increase the number. How do you set your goal?

Mr. Sullivan. Well, I've been involved in this process now for a couple of years. And what we try to do is, of course, take a look at our previous goals, and previous accomplishments. Basically, that has to be something that you look at. Then we try to examine whether or not there are other areas. For instance, as I cited in my testimony, procurements that we have not really been identifying for 8(a) set-asides. For example, we are going to be setting aside five architecture design awards this year.

Mr. Mitchell. Let me interrupt you at this point. I was just really elated when I saw that. If there's one glaring area where minorities are excluded it's in architecture and engineering. That's across the board in all of the agencies, and we've been battling this for years. I'm glad to see this. I think you're the first agency that has deliberately approached this problem in a systematic fashion. I was really pleased to see that.

Mr. Sullivan. What we did in that particular situation was look around the country to find out where the minority architecture firms were located, and then we picked five construction projects in five States where there were a number of 8(a) architecture firms. But, basically, using that as an example and, as cited in my testimony, the telephone replacement systems are something we, again, had never done. We had never set that aside for the 8(a) program, and for the first time we're going to do that at seven medical centers this year on an experimental basis. We think that will be successful, so we can do even more.

I think that what we're trying to do at the VA, quite honestly, is to look to new sources of procurements that we've never had before, to try to increase our goals. We have recently gone to our marketing center, and I've gotten a report back, but it is not in final form yet. We're finding that there may be some other areas, even in some of these large procurements, that we can do better in utilizing 8(a) set-asides. We're also increasing the value of individual construction from $3 to $7 million, in direct 8(a) set-asides. So we're increasing the absolute dollar level of those contracts and the size of the contracts we're doing. So those are the things that we are doing, I think, at the VA that are very helpful.

Mr. **Mitchell**. Is there someone in the agency, I guess it's your Small and Disadvantaged Office, where we can send the cases that come to us——

From minority contractors and minority businesses, in particular, that are having difficulties with the VA?

Mr. **Sullivan**. Absolutely. We definitely would like to have them come in. What we're trying to do is have our Office of Small and Disadvantaged Business work with our procurement activities and our construction people as sort of a funnel for problems. So if they would come there, we could try to resolve any difficulties they're having with either our medical centers or in central office.

Mr. **Mitchell**. Yes. I think that every other entity that's of some size you get spotty performances in one area as opposed to another area. We have been trying to handle those cases as they come to us in the committee, but I think we'll make it an SOP to get them to your office——

Mr. **Sullivan**. Send them to me.

Mr. **Mitchell**. So we can work on them together.

Mr. **Sullivan**. Fine. We would welcome that.

Mr. **Mitchell**. Dr. Fairman, General Electric, that big fat contract?

Mr. **Fairman**. Yes, sir. The contract that you refer to is the contract that was let for Curtis Bay generators, $835,000, as I recall. The subcontracting plan has not yet been received. It was due in November. We have informed General Electric and the Coast Guard at Curtis Bay, and are expecting that subcontracting plan momentarily; in fact, I was hoping that I would have it before I came up here. We are very aware of it and are working on it. I can assure you, Mr. Chairman, that the results are going to be satisfactory.

Mr. **Mitchell**. I hope so. That's in my bailiwick.

Mr. **Fairman**. We're not unaware of that, sir.

But let me say this. We're sensitive it's in your bailiwick, but we'd be sensitive if it wasn't in your bailiwick.

Mr. **Mitchell**. Oh, I believe that.

Mr. **Fairman**. We are supporting this. We think it's a good program. As a matter of fact, I withdrew the Coast Guard procurement authority in a number of areas recently because of some procurement problems and this happened to be one of them.

Mr. MITCHELL. I believe that you will resolve this situation, but in my own confused mind that does not always operate with clarity, I don't understand how, for the life of me, after a law that's almost 6 years old in operation, how any plan could have been approved. How did that happen? Was it again human frailty?

Mr. FAIRMAN. I think so.

Mr. MITCHELL. I'm getting tired of these frail human beings now. No, seriously; what happened?

Mr. FAIRMAN. Problems, arise Mr. Chairman, when you've got large procurements from a field procurement office and Curtis Bay is a good example. Most of their procurement is really pretty small dollar procurement, supplies and materials. Then they go out on a very large procurement; you've got people that are not as knowledgeable of all of the procurement regulations, not just the small and disadvantaged business, but all of the procurement regulations and how you award complex competitive procurement, as an example. So, after reviewing this situation, that's the reason we have, in fact, withdrawn the dollar authority at Curtis Bay, and others we've lowered because they just don't have beefed up training programs for the procurement personnel.

Mr. MITCHELL. When do you expect this situation to be remedied?

Mr. FAIRMAN. I would expect it to be remedied—we expect the subcontracting plan imminently—within the next 2 or 4 days. As I said, I was hoping I would get it before I came up here.

Mr. MITCHELL. You'll let me know?

Mr. FAIRMAN. I'd be glad to.

Mr. MITCHELL. Of course you will.

Thank you for answering a whole series of questions that we sent in writing. On just one, you did respond to question 7. You stated that your central office does not know the average goal attainment under subcontracting plans.

Now, how do you monitor a program if you don't know the average goal attainment?

Mr. FAIRMAN. Our problem with this question, Mr. Chairman, was—let's take a good example. We've just let a $305 million contract with Martin Marietta for systems integration with the FAA on the new air traffic control system. Now, we've got a subcontracting goal in that plan, and a minority goal in that plan. And let me refresh my memory, but I think it's about $125 million to be subcontracted yes, $126 million to be exact. Of that, $32 million to be subcontracted to small business concerns, and about $24 million to small disadvantaged business concerns.

Now, when we start out from the very beginning, this is a 5-year plan we might have expended $10 million on the direct contract, and might have had $7 million expended on the subcontract. So if you look at it at that point in time, you've got 70 percent of that program as subcontracted.

I guess our problem with responding to this question was the time horizon that we're looking at. We can look back on contracts and tell you, but we can't look right now on ongoing contracts and tell you what the percentage is. We can tell you what the percentage or the goals are.

Did I make myself clear on that?

Mr. MITCHELL. I think I understand you. Of course, my problem is that if it's looking back all the time then something wrong—not necessarily terribly wrong—could be occurring, and you can't remedy that situation until after the fact.

Mr. FAIRMAN. Maybe we just misinterpreted your question. We can tell you what the average goal is for the small and for small disadvantaged business for the last 3 or 4 years. In fact, I think you asked that, and we provided that to you.

Mr. MITCHELL. Right.

Mr. FAIRMAN. But for the contracts going on today, we can only tell you what our goal is in the plan, and we monitor those. If you take a look at the picture right now on what contracts have actually been let, how much money has been obligated, it doesn't give you the full picture, is what I'm saying.

Mr. MITCHELL. All right. I feel a little uneasy with it, but I won't belabor the point. There must be a way of handling that.

Mr. FAIRMAN. Well, we can tell you the contracts that we've got, and the subcontracting dollar figures in there, and the dollar figures to the minority business enterprises. That wasn't what we interpreted this question to mean. Maybe we just misunderstood the question, Mr. Chairman.

Mr. MITCHELL. All right. Mr. Daub.

Mr. DAUB. I appreciate the carefully prepared testimony which you've brought to the committee, each of you, and that takes a lot of staff working and monitoring and gathering information. You heard my previous questions. Let me ask if you, too, are plagued with this difficulty of not being able to supply the committee with the companies that are doing the subcontracting work. You do not keep that data?

Mr. SULLIVAN. We have that data for——

Mr. DAUB. VA has the data?

Mr. SULLIVAN. For construction.

Mr. DAUB. For construction, all right.

Mr. SULLIVAN. We do not, I believe, have that data for our supply contracts.

Mr. DAUB. So all I'll have from you on supplies, then, is again dollar aggregate figures?

Mr. SULLIVAN. Yes.

Mr. DAUB. Increase or decrease, but not how many firms, not how many contracts within the subcontract category, not how many employees of average to those firms, nor any of that kind of data?

Mr. SULLIVAN. Correct.

Mr. DAUB. Is that the same for each of you, also?

Mr. BERES. Yes.

Mr. DAUB. Well, I don't know. I guess I just have a tough time rationalizing, ultimately, an intellectually sound picture of whether these programs are or are not working, if all we're doing is measuring dollars up and down all the time.

Mr. FAIRMAN. We could go back and research the files.

Mr. **Daub**. Would you do some study for me on that, for the committee; not necessarily to say that it has to be done today, or next week, or next month. But look at the opportunity to pick a couple of categories, as the chairman suggested to me a minute ago, and study a couple of them. Let's see if we're getting the same contractor always taken annually, not only the business that he's getting, but every time you increase the goal, that business gets an increase and does some more business. You find out that four companies are getting all that business, and you don't know it, but they're taking part of yours, and they're just going around in a circle like that. We're not seeing a lot of movement from within the total category of awards of dollars to small and disadvantaged firms.

Mr. **Fairman**. We could go back and research our files and identify the names of the firms and the dollars, but there is absolutely no way we can identify the number of people that got them.

Mr. **Daub**. We may be able to use other sources to do that, in terms of standard business data, and other qualifying information that does exist, but it would be helpful. Again, I'm not interested so much in the names of companies either, although it would be helpful to track. If you have that information, the committee would appreciate it. Is a $500,000 level too high or too low, or just about right, as far as each of you is concerned?

Mr. **Sullivan**. From our perspective, it's about right; $500,000, and $1 million for construction.

Mr. **Daub**. $1 million for construction, and we have a VA hospital, as you know, in Nebraska, in Omaha, and it's one of the few opportunities we have for small and disadvantaged firms to obtain business. We do have a great switchboard system there; don't mess with it. You've seen the ads on TV, haven't you? I thought I'd throw that in. They're throwing the phones, you know. Our Federal building is in a mess.

I picked up the new phone system that got installed by GSA to our building, and I got the VA switchboard. They're 5 miles apart. It was a marvelous afternoon. I couldn't figure out how I did it. It was amazing. I'm still trying to figure out how to use the phones there, but $500,000 for you, up or down?

Mr. **Beres**. It seems appropriate.

Mr. **Daub**. If any of your colleagues want to chime in on that, we'd appreciate it.

How about for you?

Mr. **Fairman**. We think that's a good number.

Mr. **Daub**. Now, are you willing to venture the criticism that you get and/or your subordinates get from contractors and/or from subcontracting efforts about this system and where the roadblocks are? You've told us all the good you're doing and how well you're performing. Is there anything you could tell us where the trenches are? What are some of your problems?

Mr. **Sullivan**. One problem I think we're having is with the 294 and 295 forms. Apparently, they're very confusing to the prime contractors.

So I think we need to address that issue of simplifying and improving the reporting forms. I believe Allan may know more about this, that OMB is looking at that issue. I think they are considering simplifying the forms or working on that.

Mr. BERES. I've heard words to that regard.

Mr. DAUB. Do either one of you have any other comments about——

Mr. BERES. I would only mention, and certainly, Mr. Chairman, you're aware of the original problems that GSA had were in the public utilities area, negotiating those plans with the companies. Only yesterday, Mr. Snowden and Mr. Wynn, along with our public utilities people, met with the industry down in Atlanta. We're not completely over this hurdle yet. I think you're probably aware of some of the arguments that the public utilities have put up as regulated industries in a monopoly position, and having to justify before the local commissions any rate increases or changes, and that they're always being questioned about the costs that are incurred by the utilities. They're always coming back to us with the argument that this will add on costs to identify, pursue, monitor, and report under the program.

I might add, I'd like to give some credit here to my colleagues in GSA, the efforts that they went through in working with the public utilities to get over this hurdle and get acceptable plans in terms of identifying small, disadvantaged firms, and then dealing with the firms to bring them into the subcontracting process.

But those are some of the problems that we're having in that particular area.

Mr. DAUB. I appreciate it. Did you have any comment?

I want to say, relative to the Department of Transportation, that I do appreciate, as well, the leadership efforts. I'm interested in your innovative approach that you've suggested is another step in that direction.

I have a United Minority Contractor Association in Omaha, NE, and they have a terrific opportunity, in my judgment, relative to the additional 4 cents in the gas tax for bridge and road repair and for our work, and I look forward to that hearing. I know how much more business they are doing now because of that program, thanks to the guidance that our State roads department gets from the Department of Transportation with respect to set-aside and goals. So keep up the good work, and we look forward to hearing your reports when those hearings are held.

Thank you, gentlemen.

[The agency has indicated that they cannot supply the information requested by Mr. Daub.]

Mr. MITCHELL. Mr. Beres, I saw that you did address the public utilities issue in your testimony, and I'm aware of the developments there. I didn't have any questions for you; just a statement.

Mr. BERES. Thank goodness, there's another official in charge of public utilities contracts, and not myself.

Mr. MITCHELL. Gentlemen, thank you very much.

Mr. DAUB. Mr. Chairman.

Mr. MITCHELL. If I could just finish up.

We started out on a rather bad note with out first set of witnesses. I must confess that I think it's the last set—you three—that have shown, perhaps, the most commitment in terms of really trying to implement the law and make minority businesses and small businesses work. I do have continuing problems on a case-by-case basis with the Veterans' Administration and, per our agreement, they will be directed——

Mr. SULLIVAN. Please send them to my attention.

Mr. MITCHELL. Yes.

Mr. DAUB. If I may conclude, Mr. Chairman, with a comment, that I didn't hear the first set of witnesses, but had you not said what you said, I was still going to make this remark: that it is my judgment after reading all of the material that, indeed, a lot of the goals and the set-asides don't occur without an active involvement of the Small Business Administration and their personnel and their expertise, in order to claim part of your departments' business for the programs they're charged by the law to administer. So I do see, with problems that do exist with the Small Business Administration, indeed, in the whole area of progress that we've made, much credit must go to them, too, for the cooperation that you extend to them and that they extend to you; to come, to be able to monitor these programs and see to it that the money is set aside and that the contracts are written. So we thank them, as well as you for your work.

Mr. MITCHELL. All I can do is reemphasize that this last panel of witnesses seem to me to be the most promising and demonstrate in a very deliberate fashion a commitment. I'm not satisfied, never will be. I'm not going to end until we've achieved economic parity for minorities in this country. So I'll be annoying you, as I've done in the past, and which I will continue to do as long as I serve in the Congress.

So with that admonition thanks, once again.

[Whereupon, at 12 noon, the subcommittee adjourned, to reconvene subject to call of the Chair.]

APPENDIX C.—FACT SHEET, THE SUBCONTRACTING PROGRAM

FACT SHEET
THE SUBCONTRACTING PROGRAM

BACKGROUND

Prior to 1978, section 8(d) of the Small Business Act merely encouraged large business concerns to utilize small business as subcontractors in the performance of federal contracts. Whereupon, legislative emphasis was on voluntary "best efforts" by large contractors to subcontract to small concerns. Despite the fact that the percentage of subcontracts awarded to small concerns increased over the years, these procurements remained small in both absolute dollar value and share of total awards.

Section 211 of Public Law 95-507 (1978), changed the emphasis from voluntary "best efforts" to mandatory efforts to insure that small and small disadvantaged concerns "have the maximum practicable opportunity to participate in the performance of contracts let by any federal agency." The act mandates that federal contracts over $10,000 shall contain a clause entitled, "Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals." For larger contracts over $500,000 ($1,000,000 for construction), the law also requires a subcontracting plan setting forth percentage goals for utilizing small business concerns, including separately identified goals for small disadvantaged concerns. Pursuant to section 211, large subcontractors that receive awards in excess of the dollar thresholds also are required to adopt a plan similar to that required from prime contractors.

Such a contract cannot be awarded unless a plan is accepted within the time frames established by the agency. Under the law, the plan must contain at least the following six elements:

-- Percentage goals for small and disadvantaged business subcontracting;

-- Name of the individual responsible for administering the subcontracting program and a description of the duties of such individual;

-- Description of the efforts to ensure that small and small disadvantaged businesses will have an equal opportunity to compete for subcontracts;

-- Assurances that the subcontracting clause be included in all subcontracts having further subcontracting opportunities and that all big business subcontractors having a subcontract in excess of $500,000 ($1 million for construction) that offers further subcontracting opportunities will adopt a subcontracting plan similar to the prime's;

-- Submission of periodic reports and cooperation in any studies or surveys required by the contracting agency or the Small Business Administration (SBA) in order to determine the extent of compliance with the subcontracting plan; and

-- Description of the type of records maintained to demonstrate compliance with requirements and goals in the subcontracting plan.

The requirement for subcontracting plans does not apply to small business prime contractors or subcontractors, prime contracts not offering subcontracting possibilities, contracts where the work is to be done totally outside of the U.S., its territories/possessions and for services which are personal in nature

Prior to award, it is the responsibility of the contracting officer to obtain and review plans for adequacy. After contract award, the contract administrator monitors compliance with the plan. The law states that failure of a contractor to comply in good faith with the plan is a material breach of the contract or subcontract.

Remedies for violation of a plan available under the statute and Office of Federal Procurement Policy Letter 80-2 include but are not limited to termination for default and a negotiated reduction in the contract price. Moreover, the General Accounting Office has ruled that contracts awarded without a subcontracting plan where it is required are "legally defective" thereby invoking similar remedies.

On December 10, 1982, a report of the House Committee on Small Business entitled "Minority Business Development Efforts of the Small Business Administration" (Report No. 97-956) concluded that the "subcontracting program has had limited success during its four years of implementation." Moreover, despite the availability of adequate remedial measures, federal buying activities have failed to utilize these remedies when substantive violations of subcontracting plans are discovered.

PROBLEM AREAS

Information contained in House Report No. 97-956 revealed the following major problems with the implementation of the subcontracting program:

Lack of Enforcement

There exists overwhelming evidence that despite ample enforcement provisions, prime contractors have violated their subcontracting plans with impunity and in some cases have been awarded contracts without plans. For example, during fiscal year 1981, Small Business Administration (SBA) field offices "reported 537 cases of 'interim non-compliance,' that is, violations which existed prior to contract completion and, therefore, susceptible to a 'remedy' curing the noted deficiency. However, there were determined to be 61 cases of 'final non-compliance,' or, in other words, violations that went totally uncorrected." In 1981, SBA field offices reported 13 cases where contracts were awarded without subcontracting plans. In 1982, 12 cases were reported while 15 cases of such awards were reported in 1983.

The Executive branch has shown no initiative to institute sanctions or remedies against large prime contrators who have violated the law. Moreover, federal procurement personnel have not been held accountable for their mismanagement.

The Small Business Administration has failed to devise a logical system for the identification of contracts to be reviewed or a reporting system "to capture statistics on those contracts which do not have plans but which, by law, must have plans."

Lack of SBA Administration

The Small Business Administration has failed to assign a sufficient number of personnel to administer the subcontracting program at the central office level.

Lack of Consistent Interpretation

There is a lack of consistent and uniform interpretation of both the statute and implementing regulations by various federal agencies. This problem is perpetuated due to the lack of a uniform checklist for all agencies to assess the acceptability of plans; the lack of uniform procedures applicable to the breach of a plan; the lack of consistency in reporting requirements; and the lack of consistent interpretation of "flowdown" requirements for lower-tiered subcontractors.

Lack of Outreach

There is virtually a total lack of initiative primarily on the part of SBA to engage in any substantive activities either to inform small business about potential subcontracting opportunities, or to "qualify" small concerns as potential subcontractors.

STATISTICAL INFORMATION - See Attached Appendix

SUBCONTRACTING PROGRAM
FY 1978 - 1983[1]

FY	Subcontract Dollars Reported	Dollars To Small Business	Percent To Small Business	Dollars To SDB	% Of SB	% Total Sub $
78	18,800.00	7,600.00	40.4	---	---	---
79	24,600.00	10,800.00	43.9	---	---	---
80	29,600.00	12,200.00	41.2	748.20	6.1	2.5
81	42,200.00	15,900.00	37.7	895.5	5.6	2.1
82	43,800.00	16,500.00	37.6	858.5	5.2	2.0
83	51,900.00	20,300.00	39.0	1,011.1	5.0	1.9

*Figures not availabe for these two years

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[1] Source: U.S. Small Business Administration

FY 1983

1. GENERAL DYNAMICS CORP.

Datagraphix GMBH
Datagraphix Inc.
Stromberg Carlson Corp.
Electric Boat Division
Pomona Division
Quincy Shipbuild
Forth Worth Division
Abilene Plant
Convair Division
Electro Division
Electronic Division
Land Systems Inc.

	TOTAL $'S	TO S.B.	% S.B.	TO DISADV	% DISADV
ARMY	- - -	- - -	--	- - -	- -
NAVY	829,183	229,250	27.6	10,888	1.3
AIR FORCE	767,379	197,730	25.8	6,537	.9
DLA	1,130,596	778,345	68.8	11,380	1.0
TOTAL	2,727,258	1,205,325	44.2	28,805	1.1

FY 1983

2. Mc DONNELL DOUGLAS CORP.

McDonnell Douglas Electronics Co.
McDonnell Douglas Technical Svs. Co.
Polehemus Navigation Sciences Inc.
Vitex Systems Inc.
Astronoutics Company
Electronics Co.
Titusville Division
Tulsa Division

	TOTAL $'S	TO S.B.	% S.B.	TO DISADV	% DISADV
ARMY	- - -	- - -	- -	- - -	- -
NAVY	1,797,970	291,183	16.2	9,540	.5
AIR FORCE	- - -	- - -	- -	- - -	- -
DLA	256,730	86,334	33.6	2,540	.9
TOTAL	2,054,700	377,517	18.4	12,080	.6

FY 1983

3. BOEING COMPANY

BE&C Engineers Inc.
Boeing Computer Services Inc.
Boeing of Canada Ltd.
Boeing Services International Inc.
Boeing Vertol Co.
Hydraulic Units Inc.

	TOTAL $'S	TO S.B.	% S.B.	TO DISADV	% DISADV
ARMY	- - -	- - -	- -	- - -	- -
NAVY	- - -	- - -	- -	- - -	- -
AIR FORCE	1,213,859	246,221	20.3	17,695	1.5
DLA	- - -	- - -	- -	- - -	- -
TOTAL	1,213,859	246,221	20.3	17,695	1.5

FY 1983

4. RCA CORPORATION

Hertz Corporation
Hertz Computer Services Inc.
RCA American Communications Inc.
RCA Global Communications Inc.
RCA Services
RCA/Astro Electronics
RCA/Automated Systems
RCA/Government Volume Production
RCA/Government Communications Systems
RCA/GSD Missile & Surfacr Radar
RCA/Solid State Division

	TOTAL $'S	TO S. B.	% S.B.	TO DISADV	% DISADV
ARMY	- - -	- - -	- -	- - -	- -
NAVY	- - -	- -	- -	- - -	- -
AIR FORCE	- - -	- - -	- -	- - -	- -
DLA	448,252	190,889	39.1	6,455	1.3
TOTAL	448,252	190,889	39.1	6,455	1.3

FY 1983

5. TRW INCORPORATED

ESL Inc.
TRW Colorado Electronics Inc.
TRW/Electronics & Defense Sec.
TRW/Aircraft Components Group
TRW/Bearings Division
TRW/Defense & Space Systems Group
TRW/Microwave Inc.

	TOTAL $'S	TO S.B.	% S.B.	TO DISADV	% DISADV
ARMY	- - -	- - -	- -	- - -	- -
NAVY	- - -	- - -	- -	- - -	- -
AIR FORCE	304,679	144,975	47.6	16,343	5.4
DLA	340,249	179,955	52.9	5,592	1.6
TOTAL	644,928	324,930	50.4	21,935	3.4

FY 1983

6. GTE CORPORATION.

GTE Automatic Electronics Inc.
GTE Communications Products
GTE Communications Products/Western Div.
GTE International Inc.
GTE Laboratories, Inc.
GTE Lenkurt, Inc.
GTE Service Corp.
GTE Sylvania Inc./Communications System
GTE Sylvania Inc./Electronic Systems

	TOTAL $'S	TO S. B.	% S. B.	TO DISADV	% DISADV
ARMY	- - -	- - -	- -	- - -	- -
NAVY	- - -	- - -	- -	- - -	- -
AIR FORCE	- - -	- - -	- -	- - -	- -
DLA	250,028	117,485	47.0	2,929	1.2
TOTAL	250,028	117,485	47.0	2,929	1.2

FY 1983

7. BDM International Inc.

	TOTAL $'S	TO S.B.	% S.B.	TO DISADV	% DISADV
ARMY	- - -	- - -	- -	- - -	- -
NAVY	- - -	- - -	- -	- - -	- -
AIR FORCE	- - -	- - -	- -	- - -	- -
DLA	22,057	8,867	40.2	1,205	5.5
TOTAL	22,057	8,867	40.2	1,205	5.5

FY 1983

8. Planning Research Corp./Government Information

	TOTAL $'S	TO S.B.	% S.B.	TO DISADV	% DISADV
ARMY	- - -	- - -	- -	- - -	- -
NAVY	- - -	- - -	- -	- - -	- -
AIR FORCE	- - -	- - -	- -	- - -	- -
DLA	12,937	6,960	53.8	1,012	7.8
TOTAL	12,937	6,960	53.8	1,012	7.8

FY 1983

9. National Semi-Conductor Corporation

Not Applicable

APPENDIX A.—POLICY LETTER 80-1

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

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POLICY LETTER 80-1

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: P.L. 95-507, Section 211, Subcontracting: Agency Coordination with the Small Business Administration Resident Procurement Center Representatives

Section 211 of P.L. 95-507 amends section 8(d)(10) of the Small Business Act, 15 USC 637, to authorize the Small Business Administration (SBA) to review any solicitation for any contract over the stated thresholds. The purpose of the review is to determine whether maximum practicable opportunity has been afforded small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate as subcontractors in such awards. Furthermore, SBA is responsible for evaluating compliance with agreed upon subcontracting plans.

In order to facilitate the implementation of these provisions by the Small Business Administration, departments and agencies shall observe the following policies regarding section 8(d)(10), and shall incorporate them in their procurement regulations:

1. The Small Business Administration's resident Procurement Center Representatives shall be provided an opportunity to review any solicitation that meets the threshold prior to release to the public. The Procurement Center Representative shall be provided a period reasonable under the circumstances to review the solicitation.

2. Prior to the execution of any negotiated contractual document requiring a subcontracting plan, the total procurement package including the proposed subcontracting plan shall be made available to the resident Procurement Center Representative, with a reasonable time for review. The Procurement Center Representative may submit recommendations, which shall be advisory in nature, to the contracting officer. The Procurement Center Representative shall also be provided a copy of the subcontracting plan finally negotiated by the contracting officer.

A copy of any subcontracting plan submitted pursuant to a formally advertised procurement also shall be provided the resident Procurement Center Representative upon execution of the contractual document.

3. The small and disadvantaged business specialist of the contracting activity shall notify the Small Business Administration of the award of contracts, amendments, or modifications that contain subcontracting plans. The notification shall contain the contractor's name and address, place of performance, dollar amount, performance period, description of contract item or items, and name and address of contracting officer. A copy of the award document (e.g., DD 350) is sufficient for these purposes. The notification shall be sent to the Assistant Regional Administrator for Regional Programs in the SBA region where contract performance is to take place.

The Director of the Office of Management and Budget concurs in the issuance of this policy directive to be effective February 25, 1980.

James D. Currie

James D. Currie
Acting Administrator

APPENDIX B.—POLICY LETTER 80-2, AND SUPPLEMENTAL

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

POLICY LETTER 80-2

TO THE HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Regulatory Guidance on Section 211 of Public Law 95-507.

There is a need in Government for uniformity and consistency in the application of procurement policy. This directive provides the uniform policy applicable to Section 211 of Public Law 95-507. The clauses and regulatory coverage that follow articulate this uniform policy. The Defense Acquisition Regulations (DAR), the Federal Procurement Regulations (FPR), and the National Aeronautics and Space Administration Procurement Regulations (NASA PR) shall be amended to conform to this policy. This guidance supercedes in its entirety the guidance previously published in the Federal Register on April 20, 1979, (44 F.R. 23610).

A. UTILIZATION OF SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS (OVER $10,000)

The following clause shall be included in all contracts over $10,000 except (1) contracts for services which are personal in nature and (2) contracts which will be performed entirely (including all subcontracts) outside any State, territory, or possession of the United States, the District of Columbia, or the Commonwealth of Puerto Rico:

UTILIZATION OF SMALL BUSINESS CONCERNS AND SMALL BUSINESS CONCERNS OWNED AND CONTROLLED BY SOCIALLY AND ECONOMICALLY DISADVANTAGED INDIVIDUALS

(a) It is the policy of the United States that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals shall have the maximum practicable opportunity to participate in the performance of contracts let by any Federal agency.

(b) The contractor hereby agrees to carry out this policy in the awarding of subcontracts to the fullest extent consistent with the efficient performance of this contract. The contractor further agrees to cooperate in any studies or surveys as may be conducted by the Small Business Administration or the contracting agency which may be necessary to determine the extent of the contractor's compliance with this clause.

(c) (1) As used in this contract, the term "small business concern" shall mean a small business as defined pursuant to section 3 of the Small Business Act and relevant regulations promulgated pursuant thereto.

(2) The term "small business concern owned and controlled by socially and economically disadvantaged individuals" shall mean a small business concern—

(i) which is at least 51 per centum owned by one or more socially and economically disadvantaged individuals; or in the case of any publicly owned business, at least 51 per centum of the stock of which is owned by one or more socially and economically disadvantaged individuals; and

(ii) whose management and daily business operations are controlled by one or more of such individuals.

The contractor shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, and other minorities, or any other individual found to be disadvantaged by the Small Business Administration pursuant to section 8(a) of the Small Business Act.

(d) Contractors acting in good faith may rely on written representations by their subcontractors regarding their status, as a small business concern or a small business concern owned and controlled by socially and economically disadvantaged individuals.

(End of Clause)

B. DEFINITIONS.

1. Business owners who certify that they are members of named groups (Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans) are to be considered socially and economically disadvantaged.

2. The phrase "Native Americans" means American Indians, Eskimos, Aleuts and native Hawaiians. The term "Asian-Pacific Americans" means U.S. citizens whose origins are from Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia and Taiwan.

3. Other individuals may qualify as socially and economically disadvantaged under procedures which have been separately established by the Small Business Administration at 13 CFR 124.1-1(3)(iii).

4. The Office of Minority Small Business and Capital Ownership Development in the Small Business Administration has the final authority to determine the eligibility of a concern to be designated as a small disadvantaged business and shall answer inquiries from prime contractors and others regarding such eligibility.

5. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

C. SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING (NEGOTIATED).

All solicitations for negotiated contracts or negotiated amendments or modifications (including contracts, amendments, and modifications placed on a sole source basis), except those for procurements and set-asides pursuant to section 8(a) and section 15 of the Small Business Act as amended, which individually are expected to exceed $500,000, or in the case of contracts for the construction of any public facility, $1,000,000, and are required to include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, shall include a provision which requires the apparent successful offeror, provided the offeror is not a small business concern, to negotiate a detailed subcontracting plan. The provision is as follows:

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (NEGOTIATED)

1. This provision does not apply to small business concerns.

2. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

3. The offeror acknowledges that it is aware of the subcontracting plan requirements in this provision; and if it is the apparent successful offeror, and if the contract offers subcontracting possibilities, agrees to negotiate a plan which includes:

a. Percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; (For the purposes of the subcontracting plan, the contractor may include all purchases which contribute to the performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs.)

As part of its establishment of percentage goals the apparent successful offeror shall also include in its subcontracting plan:

(1) A statement of: (a) total dollars planned to be subcontracted; (b) total dollars planned to be subcontracted to small business; and (c) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal product and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

(3) A statement of the method used in developing proposed subcontracting goals for (i) small business, (ii) small disadvantaged business concerns (e.g., did the offeror use for subcontract solicitation purposes company source lists, the small business and disadvantaged small business source identification system provided by the Small Business Administration's Procurement Automated Source System, the National Minority Purchasing Council Vendor Information Service, the Office of Minority Business Data Center in the Department of Commerce, and the facilities of local small business and minority associations?).

(4) If the offeror includes indirect and overhead costs as an element in establishing the goals in the subcontracting

plan, the method used in determining the proportionate share of indirect and overhead costs incurred with (i) small business, and (ii) small -disadvantaged business subcontractors shall be explained.

b. The name of an individual within the employ of the offeror who will administer the subcontracting program of the offeror and a description of the duties of such individual;

c. A description of the efforts the offeror will take to assure that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts;

d. Assurances that the offeror will include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals in all subcontracts which offer further subcontracting opportunities and to require all subcontractors (except small business concerns) which receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1,000,000, to adopt and comply with a plan similar to the plan agreed to by the offeror. Such assurances shall describe the offeror's procedures for the review, approval, and monitoring for compliance with such plans;

e. Assurances that the offeror will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the offeror with the subcontracting plan; and

f. A recitation of the types of records the offeror will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated):

(1) Small and disadvantaged business source lists, guides and other data indentifying small and small disadvantaged business vendors.

(2) Organizations contacted for small and disadvantaged business sources.

(3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (a) whether small business was solicited, and if not why not; (b) whether small disadvantaged business was solicited, and if not why not; and (c) reasons for the failure of solicited small business or small disadvantaged business to receive the subcontract award.

(4) Records to support other outreach efforts:

o Contacts with minority and small business trade associations;

o Contacts with business development organizations;

o Attendance at small and minority business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers:

o Workshops, seminars, training programs, etc.

o Monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name and address of subcontractor.

4. The offeror understands that:

a. No contract will be awarded unless and until an acceptable plan is negotiated with the contracting officer which plan will be incorporated into the contract, as a material part therepf.

b. An acceptable plan must, in the determination of the contracting officer, provide the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged persons to participate in the performance of the contract.

c. If a subcontracting plan acceptable to the contracting officer is not negotiated within the time limits prescribed by the contracting activity and such failure arises out of causes within the control and with the fault or negligence of the offeror, the offeror shall be ineligible for an award. The contracting officer shall notify the contractor in writing of his reasons for determining a subcontracting plan to be unacceptable. Such notice shall be given early enough in the negotiation process to allow the contractor to modify the plan within the time limits prescribed.

d. Prior compliance of the offeror with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the offeror for award of the contract.

e. It is the offeror's responsibility to develop a satisfactory subcontracting plan with respect to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and that each such aspect of the offeror's plan will be judged independently of the other.

f. The offeror will submit, as required by the contracting officer, subcontracting reports in accordance with the instructions thereon, and as further directed by the contracting officer. Subcontractors will also submit these reports to the government's contracting officer or as otherwise directed, with a copy to the prime contractor's designated small and disadvantaged business liaison.

5. The failure of any contractor or subcontractor to comply in good faith with (a) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals or (b) an approved plan required by this Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) provision, will be a material breach of such contract or subcontract.

6. Commercial Products. If a commercial product (defined below) is offered the required subcontracting plan may relate to the company's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide, annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer. The approved plan will remain in effect for the company's entire fiscal year for all of the company's or division's commercial products.

The term "commercial products" means products in regular production sold in substantial quantities to the general public and/or industry at established market or catalog prices. A product which, in the opinion of the contracting officer, differs only insignificantly from the contractor's commercial product may be regarded for the purpose of this clause as a commercial product.

(End of Provision)

INSTRUCTIONS TO CONTRACTING OFFICERS

The following policy and procedural guidance is provided to contracting officers in making determinations as to the acceptability of a Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) submitted by an apparent successful offeror, in accordance with the requirements of Public Law 95-507, Amendments to the Small Business Act and the Small Business Investment Act of 1958. This guidance is not intended to be all inclusive. Other factors may warrant consideration dependent upon the particular circumstances of the proposed acquisition. Ultimately, there is no substitute for the reasoned and objective judgment of a contracting officer exercised on a case by case basis.

(a) Contracts with Options or Similar Provisions - In the case of contracts with options, or similar provisions, requiring a subcontracting plan, the contracting officer shall obtain a satisfactory plan prior to award covering the basic and the option items of the contract. The price of the option items shall be included in determining whether the contract meets the subcontracting threshold, and the plan shall take into account the procurement of the option items. In the event the option or similar provision is not exercised, the contractor should not be bound by that portion of the plan relating to the option items.

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(b) Letter Contracts - In the case of letter-type contracts requiring a subcontracting plan, the contracting officer shall seek to obtain a satisfactory plan within 90 days after award or before definitization, whichever comes first.

(c) Acceptability of Proposed Plan - In making determinations concerning the acceptability of a proposed subcontracting plan, the contracting officer should take the following actions:

(1) To the extent available, the contracting officer shall obtain the names and locations of principal proposed (i) small business, and (ii) small disadvantaged business subcontractors, including the type of product or service and the dollar value thereof to be awarded to each principal subcontractor. (This information will be used only to assist the contracting officer in making a determination as to the acceptability of the proposed percentage and dollar subcontract goals. The offeror will not be contractually bound to make subcontract awards to the designated subcontractors nor will the names of the subcontractors be included in any subsequent approved plan).

(2) Obtain and review information from all appropriate sources, including the prospective contractor, contract administration activities, Small and Disadvantaged Business Utilization Specialist, and SBA representatives concerning the apparent successful offeror's historical performance and achievements in placing subcontracts for the same or similar products or services with (i) small business, and (ii) small disadvantaged business subcontractors — if this information is not available for a specific product or service, the offeror's past performance and achievements in the placement of total subcontract awards to (i) small business, and (ii) small disadvantaged business subcontractors shall be examined.

(3) Evaluate the anticipated potential for subcontracting to (i) small business, and (ii) small disadvantaged business considering the make-or-buy policies or programs of the apparent successful offeror, the nature of the products or services to be subcontracted, and the known availability of (i) small business, and (ii) small disadvantaged business concerns in the geographical area where the work will be performed.

(4) Advise the apparent successful offeror of (i) the availability of the sources of information on potential small business and small disadvantaged business subcontractors and (ii) the names of any known potential small business and small disadvantaged business subcontract sources. If the proposed goals are questionable, the

contracting officer shall emphasize that one or more of the sources of information should be used and potential small business and small disadvantaged business subcontract sources be considered to ensure development of realistic and acceptable goals.

(5) Obtain advice and recommendations of the Small and Disadvantaged Business Utilization Specialist and the assigned Small Business Administration Procurement Center Representative (if available) concerning the acceptability of the proposed plans.

(6) Negotiate subcontracting goals at a level which represents a good faith, aggressive, and comprehensive effort of the apparent successful offeror to use to the maximum practicable extent small and small disadvantaged subcontractors after appropriate consideration of their price, technical capability, and other pertinent factors. No goals will be negotiated upwards if it is apparent that such higher goals must result in significant increased costs to the Government or will seriously impede acquisition objectives. However, incentive subcontracting clauses should be considered in those cases where it is believed that additional and unique prime contractor effort could significantly increase small business and small disadvantaged business subcontract awards.

(7) The contracting officer shall promptly negotiate appropriate revisions to agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of subcontracting effort. If agreement cannot be reached, the matter will be resolved under the Disputes Clause of the contract.

(8) In reviewing and negotiating a contractor's proposed small and disadvantaged business subcontracting plan, the contracting officer shall give due consideration to the contractor's "make-or-buy" policy or program. This is necessary to ensure that the respective programs are not in conflict, and the best interests of the Government are obtained. Furthermore, where the contract work involves products or services which are not generally available in the commercial marketplace or are particularly specialized, and the contractor has current capacity to perform the work, the contracting officer may recognize the reduced likelihood of subcontracting opportunities.

(d) Forwarding to SBA of Plans Involving Commercial Products

Contracting officers receiving company-wide plans under paragraph 6 (commercial products) of both solicitation clauses -- SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (NEGOTIATED) and SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (ADVERTISED) -- shall forward copies of such plans and approvals thereof to the Central Office of the Small Business Administration, 1441 "L" Street, N.W., Washington, D. C., Attention: AAPA.

(e) Failure to Comply in Good Faith with the Subcontracting Requirements

The failure of any contractor or subcontractor to comply in good faith with (1) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, or (2) an approved plan required by the Small Business and Small Disadvantaged Business Subcontracting Plan provision, will be a material breach of such contract or subcontract.

If such a breach has occurred in the prime contract, the contracting officer shall review the available facts to determine what remedy is in the best interests of the Government.

Such remedies may include Termination of the Contract pursuant to the Termination for Default Clause, negotiated reduction in contract price, negotiation of a revised subcontracting plan to correct deficiencies, or other negotiated measures the contracting officer may deem appropriate. In determining the proper remedy, the contracting officer shall consider as a minimum (1) the reasons attributed to the failure to comply in good faith, (2) the Government's need for the contract deliverables, and (3) the impact a proposed remedy may have on existing small and disadvantaged subcontractors.

If the failure to comply in good faith cannot be settled by agreement, a contracting officer decision pursuant to the contract disputes clause shall be issued.

D. INCENTIVE SUBCONTRACTING PROGRAM.

The following clause may be used in negotiated contracts for which a subcontracting plan is required.

INCENTIVE SUBCONTRACTING PROGRAM FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS (NEGOTIATED)

(1) The contractor has established, in its subcontracting plan, the following goals for awards to small business and small disadvantaged business concerns:

(i) __*__ percent of the total planned subcontract amount of $_*_ to small business concerns, and

(ii) __**__ percent of the total planned subcontract amount of $_**_ to small business concerns owned and controlled by socially and economically disadvantaged individuals.

(2) To the extent that the contractor exceeds such subcontract goals in the performance of this contract, it will receive __***__ percent (not to exceed 10 percent) of the dollar amount of such excesses, unless the contracting officer determines that such excess was not due to efforts by the contractor, i.e., subcontractor costs in excess of those contractually agreed upon or where the actual subcontract amount exceeds that estimated in the subcontract plan; or planned subcontracts which were not disclosed in the subcontract plan during contract negotiation.

(3) If the contract is a cost plus fixed fee type, the total of the fixed fee and the incentive payments made pursuant to this clause is subject to the limitations set forth in FPR 1-3.405-5(c)(2) and DAR 3-405.6(c)(2).

(End of Clause)

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*, ** Identified elsewhere in the contract.

*** Exact percentage to be inserted into the contract document.

E. SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING (ADVERTISED).

All solicitations for formally advertised contracts or amendments or modifications thereto which, except those for procurements and set-asides pursuant to section 8(a) and section 15 of the Small Business Act as amended, offer subcontracting opportunities and are expected to exceed $500,000, or in the case of contracts for the construction of any public facility, $1,000,000, and are required to include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals, shall include a provision which requires the bidder selected to be awarded the contract, provided the bidder is not a small business concern, to submit a detailed subcontracting plan.

The contracting officer shall include the solicitation notice below in all solicitations meeting the monetary threshold unless the contracting officer determines in writing that the proposed contract, amendment or modification, offers no subcontracting possibilities. If the contracting officer is not sure of the presence of subcontracting possibilities, the notice must be included; but the requirement to furnish a plan may be omitted on a showing by the bidder selected for award that subcontracting possibilities do not exist.

The provision is as follows:

SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (ADVERTISED)

1. This provision does not apply to small business concerns.

2. The term "subcontract" means any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime contractor or subcontractor calling for supplies or services required for the performance of the original contract or subcontract.

3. The bidder acknowledges that it is aware of the subcontracting plan requirement in this provision; and if selected for award, will submit within the time specified by the contracting officer a subcontracting plan that will afford the maximum practicable opportunity to participate in the performance of the contract to small and small disadvantaged concerns, and will include:

a. Percentage goals (expressed in terms of percentage of total planned subcontracting dollars) for the utilization as subcontractors of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; (For the purposes of the subcontracting plan, the contractor may include all purchases which contribute to the performance of the contract, including a proportionate share of products, services, etc., whose costs are normally allocated as indirect or overhead costs.)

As part of its establishment of percentage goals the apparent successful bidder shall also include in its subcontracting plan:

(1) A statement of: (a) total dollars planned to be subcontracted; (b) total dollars planned to be subcontracted to small business; and (c) total dollars planned to be subcontracted to small disadvantaged business.

(2) A description of the principal product and service areas to be subcontracted and an identification of those areas where it is planned to use (i) small business subcontractors, and (ii) small disadvantaged business subcontractors.

b. The name of an individual within the employ of the bidder who will administer the bidder's subcontracting program and a description of the duties of such individual;

c. A description of the efforts the bidder will take to assure that small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals will have an equitable opportunity to compete for subcontracts;

d. Assurances that the bidder will include the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals in all subcontracts which offer further subcontracting opportunities and to require all subcontractors (except small business concerns) which receive subcontracts in excess of $500,000, or in the case of a contract for the construction of any public facility, $1,000,000, to adopt and comply with a plan similar to the plan agreed to by the bidder;

e. Assurances that the bidder will submit such periodic reports and cooperate in any studies or surveys as may be required by the contracting agency or the Small Business Administration in order to determine the extent of compliance by the bidder with the subcontracting plan; and

f. A recitation of the types of records the successful bidder will maintain to demonstrate procedures which have been adopted to comply with the requirements and goals set forth in the plan, including the establishment of source lists of small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals; and efforts to identify and award subcontracts to such small business concerns. The records shall include at least the following (these records may be maintained on a plant-wide or company-wide basis unless otherwise indicated):

(1) Small and disadvantaged business source lists, guides and other data indentifying small and small disadvantaged business vendors.

(2) Organizations contacted for small and disadvantaged business sources.

(3) On a contract-by-contract basis, records on all subcontract solicitations over $100,000, indicating on each solicitation (a) whether small business was solicited, and if not why not; (b) whether small disadvantaged business was solicited, and if not why not; and (c) reasons for the failure of solicited small business or small disadvantaged business to receive the subcontract award.

(4) Records to support other outreach efforts:

- o Contacts with minority and small business trade associations,
- o Contacts with business development organizations,
- o Attendance at small and minority business procurement conferences and trade fairs.

(5) Records to support internal activities to guide and encourage buyers:

- o Workshops, seminars, training programs,
- o Monitoring activities to evaluate compliance.

(6) On a contract-by-contract basis, records to support award data submitted to the Government to include name and address of subcontractor.

4. The bidder understands that:

(a). It agrees to carry out the government's policy to provide the maximum practicable opportunity for small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals to participate in the performance of the contract, consistent with its efficient performance.

(b) If it does not submit a subcontracting plan within the time limits prescribed by the contracting agency, it will be ineligible to be awarded the contract.

(c) Prior compliance of the bidder with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the offeror for award of the contract.

(d) It is the bidders responsibility to develop a subcontracting plan with respect to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals and that each such aspect of the plan will be judged independently of the other.

5. The failure of any contractor or subcontractor to comply in good faith with (a) the clause entitled Utilization of Small Business Concerns and Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals or (b) the terms of any subcontracting plan required by this Small Business and Small Disadvantaged Business Subcontracting Plan (Advertised) provision, will be a material breach of the contract or subcontract.

6. Commercial Products. If a commercial product (defined below) is offered the required subcontracting plan may relate to the company's

or division's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide, annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer. The approved plan will remain in effect for the company's entire fiscal year for all of the company's or division's commercial products.

The term "commercial products" means products in regular production sold in substantial quantities to the general public and/or industry at established market or catalog prices. A product which, in the opinion of the contracting officer, differs only insignificantly from the contractor's commercial product may be regarded for the purpose of this clause as a commercial product.

(End of Provision)

INSTRUCTIONS TO CONTRACTING OFFICERS

(a) Informational Goals. The contracting officer may, in a letter accompanying the solicitation or otherwise, inform the offeror of the goal the Government contemplates for subcontracting to both small business concerns and small business concerns owned and controlled by socially and economically disadvantaged individuals. Any such letter shall state that the goals are informational only and not legally binding.

(b) Notification of Unsatisfactory Plans. If the contracting officer believes that the subcontracting plan submitted pursuant to this section does not reflect the best effort by the bidder to award subcontracts to small and small disadvantaged firms to the fullest extent consistent with the efficient performance of the contract, he shall notify the agency's director of the Office of Small and Disadvantaged Business Utilization who shall in turn notify the Small Business Administration and request a review of the plan pursuant to Section 8(d)(10) and (11) of the Small Business Act. Such request for an SBA review shall not delay award of the contract. Prior compliance of the bidder with other such subcontracting plans under previous contracts will be considered by the contracting officer in determining the responsibility of the bidder for award of the contract.

(c) Forwarding to SBA of Plans Involving Commercial Products. Contracting officers receiving company-wide plans under paragraph 6 (commercial products) of both solicitation clauses -- SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (NEGOTIATED) and SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS SUBCONTRACTING PLAN (ADVERTISED) -- shall forward copies of such plans and approvals thereof to the Central Office of the Small Business Administration, 1441 "L" Street, N.W., Washington, D. C., Attention: AAPA.

EFFECTIVE DATE: This Policy Letter is effective June 1, 1980.

CONCURRENCE: This Policy Letter has been concurred in by the Director of OMB.

Karen Hastie Williams

Karen H. Williams
Administrator

[¶ 92,504] Subcontracting Plans: OFPP Addresses Problems, Questions

Clarification of uncertainties that have arisen in the administration of OFPP guidance on federal subcontracting is the subject of a recently-released supplement to OFPP Policy Letter 80-2. Focusing primarily on subcontracting plans required by Section 211 of P.L. 95-507, the supplement provides that modifications over $500,000, made to contracts that already contain a plan, will not require a new plan. The modification, however, must contain new separate or revised goals. Also covered are the acceptability of incorporating by reference a company "master plan" into a specific plan submitted for a given contract, and the applicability of a commercial products plan beyond the fiscal year in which it is approved.

The supplement also clarifies that contract-by-contract records are not required under a commercial products plan and that flexibility in subcontractor performance monitoring is desirable to avoid disruption, duplication of effort, and unnecessary cost. Small business subcontracting is discussed generally at ¶ 1060.

The text of OFPP Policy Letter 80-2, Supplement No. 1, follows.

[OFPP Policy Letter 80-2; Supplement No. 1]

Regulatory Guidance on Section 211 of Public Law 95-507

May 29, 1981.

AGENCY: Office of Federal Procurement Policy, Office of Management and Budget.

ACTION: Supplement to OFPP Policy Letter 80-2, April 29, 1980.

SUMMARY: OFPP Policy Letter 80-2, April 29, 1980, published in the Federal Register on May 9, 1980 (45 FR 31028) set forth amendments to be made to the Federal Procurement Regulations (FPR), the Defense Acquisition Regulation (DAR) and the National Aeronautics and Space Administration Procurement Regulations (NASAPR).

This supplement to Policy Letter 80-2 resolves certain problems and questions which have arisen in the administration of OFPP Policy Letter 80-2, April 29, 1980.

It provides that:

1. Modifications over $500,000 to a contract already containing a plan do not require a new subcontracting plan, but the modification must contain new separate goals or revised goals.
2. The subcontracting plan for an individual procurement may incorporate an overall "master" plan.
3. An approved commercial products plan remains applicable beyond the fiscal year in which it is approved, if contract deliveries extend beyond that fiscal year.
4. Contract-by-contract records are not required under a commercial products plan.
5. There is flexibility in determining the extent of required monitoring of subcontactor performance, and agencies may relieve prime contractors of this responsibility when appropriate.

DATE: The provisions of the supplementary Policy Letter will be effective June 30, 1981, but may be followed immediately.

CONTACT: Owen Birnbaum, Deputy Associate Administrator for Regulatory Policies and Practices, 395-3455.

William E. Mathis,

Acting Administrator.

May 29, 1981.

Policy Letter 80-2, Supplement No. 1

To The Heads of Executive Departments and Establishments

Subject: Regulatory Guidance on Section 211 of Public Law 95-507

Government procurement policy should be uniform and consistent in application. The purpose of this supplementary Policy Letter is to provide a uniform resolution to certain problems and questions which have arisen in the administration of OFPP Policy Letter 80-2, April 29, 1980 (45 FR 31028, May 9, 1980).

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1. The question has been raised whether it is necessary to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. Policy Letter 80-2 indicates that subcontracting plans must be included, pursuant to Public Law 95-507, in contracts *and contract modifications* over the statutory thresholds. It also requires that the "contracting officer promptly negotiate appropriate revisions to agreed subcontracting percentage and dollar goals if any subsequent amendments to the contract will have a major impact on the original planned volume or type of contracting effort."

It is not necessary for the contracting officer to obtain a new subcontract plan if a modification over $500,000 ($1 million for construction) is made to a contract already containing a plan. The modification may incorporate the existing plan by reference. However, the modification must either contain separate goals for the new effort or revise the original goals.

2. Another question has been raised as to whether the terms of an overall or "master" company subcontracting plan may be incorporated by reference into a specific plan submitted for a given contract over the statutory thresholds. This is acceptable provided: (1) the master plan contains all the elements required by the statute; (2) subcontract goals for small and small disadvantaged firms are specifically set forth in each contract or modification over the statutory thresholds; (3) any changes to the plan deemed necessary and required by the contracting officer in areas other than goals are specifically set forth in the contract or modifications; (4) the contracting officer has copies of the entire plan; and (5) the resident Procurement Center Representative (PCR) of the Small Business Administration has had an opportunity to comment on the master plan.

3. A third question relates to the applicability of an approved commercial products plan beyond the fiscal year in which it is approved. Policy Letter 80-2 states that:

"If a commercial product is offered the required subcontracting plan may relate to the company's production generally (both for commercial and non-commercial products) rather than solely to the item being procured under the government contract. In such cases, the contractor shall be required to submit one company-wide annual plan to be reviewed for approval by the first agency with which it enters into a prime contract (which requires a subcontracting plan) during the fiscal year, or by another agency satisfactory to the contracting officer."

The approved plan shall apply to all deliveries made under contracts entered into during the contractor's fiscal year, even through those deliveries are made in a succeeding fiscal year. The contractor shall submit a new plan to the first agency with which it enters into a contract (over the statutory threshold) during a succeeding fiscal year. The new plan shall apply to all deliveries made under contracts entered into during the succeeding fiscal year, no matter when those deliveries are made.

4. Also with respect to commercial products plans, there is a question whether the contractor is required to keep "contract-by-contract" records pursuant to paragraphs 3f (3) and (6) of the Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated) and (Advertised) clauses. Such contract-by-contract records would be incompatible with the concept and purpose of an annual company-wide plan, and are not required.

Accordingly, OFPP Policy Letter 80-2 is amended by adding the following sentence at the end of paragraphs 3f(3) and 3(f)(6) of both the Negotiated and Advertised clauses: "This requirement does not apply to a plan submitted pursuant to par. 6, hereof."

5. Paragraph 3d of the clause entitled "Small Business and Small Disadvantaged Business Subcontracting Plan (Negotiated)", as set forth in Policy Letter 80-2, provides for flowdown of the subcontracting plan requirements to all non-small business subcontractors which receive subcontracts over the applicable thresholds. Further, the prime contractor is required to describe its "procedures for the review, approval, and monitoring for compliance with such plans."

This requirement has raised questions of what is meant by monitoring and whether, in some cases, the prime contractor should be relieved of this responsibility.

If interpreted literally to require each prime contractor to monitor its subcontractors' compliance, by plant visits and examinations of records, this could result in situations such as: (1) several contractors monitoring the same subcontractor, to review essentially the same information, which would at a minimum be disruptive and redundant; (2) the prime contractor being monitored by one or more of the subcontractors which it is monitoring, where the prime/sub relationships are reversed; and (3) problems concerning access to records, particularly when the prime contractor and the subcontractor are competitors. This disruption, duplication and additional unnecessary cost do not appear to be justified or necessary. In many instances, particularly where a subcontractor is also performing Government prime contracts, the Government already has a representative either on the scene or available who is monitoring the firm's performance as a prime contractor. The Government representative, in such cases, should be familiar with the firm's overall plan for subcontracting with small and small disadvantaged businesses, and therefore in the best position to determine whether the firm is meeting its goals either as a prime contractor or as a subcontractor. Accordingly, departments and agencies may, in their regulations, notwithstanding the last sentence of the aforesaid paragraph 3d, relieve the prime contractor from this obligation when they deem it appropriate. An agency's decision to relieve a contractor from its obligation to monitor for compliance should take into consideration an existing Government presence at the subcontractor's plant and whether the monitoring can be accomplished most economically and efficiently through Government or prime contractor activity.

Whether monitoring is done by the prime contractor or by the Government, the degree of monitoring will vary depending on the circumstances. Such factors as access to records, subcontract dollar amount, the subcontractor's past performance in meeting goals, and many others must be considered in reviewing the procedures for monitoring compliance.

While there is some flexibility, as indicated by the foregoing discussion, with respect to monitoring for compliance, prime contractors are *not* relieved of their obligation to review and approve their subcontractor's plans.

Effective date: This supplementary Policy Letter is effective June 30, 1981.

Concurrence: This supplementary Policy Letter has been concurred in by the Director of the Office of Management and Budget.

William E. Mathis,
Acting Administrator.